

LEGISLATIVE BRANCH APPROPRIATIONS FOR FISCAL YEAR 2015

TUESDAY, MARCH 11, 2014

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:43 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Jeanne Shaheen (chairwoman) presiding.

Present: Senators Shaheen, Coons, Hoeven, and Boozman.

GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF GENE L. DODARO, COMPTROLLER GENERAL

OPENING STATEMENT OF SENATOR JEANNE SHAHEEN

Senator SHAHEEN. Welcome, everyone. I am sorry to be a little late. I was in another committee business meeting. So I apologize and at this time want to call the subcommittee to order.

I am very pleased that Ranking Member Hoeven is here for the hearing, and we hope to have some additional members coming in shortly.

I have a full statement that I will submit for the record. So I will only read excerpts. As you all know, this is the subcommittee of the Appropriations Committee on the legislative branch, and I am pleased today to kick off the fiscal year 2015 appropriations cycle for the subcommittee.

We start this year coming off of a bipartisan and bicameral budget compromise that provided caps for appropriations spending for both fiscal year 2014 and fiscal year 2015. The new budget caps ensure that Federal spending will operate within agreed-upon fiscal constraints.

While I think we would all agree that the budget wasn't everything we wanted, it certainly empowers the Appropriations Committee to do its job, and that is a very good thing. Our job is to allocate resources for individual Federal agencies and programs based on the needs of the American people.

Today, we are going to start by reviewing the fiscal year 2015 budget request for both the Government Accountability Office and the Congressional Budget Office. And I think it is a fitting way to begin our work on fiscal year 2015 because both GAO and CBO provide critical support to Congress and particularly to this committee.

I want to ensure that both agencies have the resources they need to continue conducting your critical work while also ensuring that we make the best use of taxpayer dollars in accomplishing the missions of Congress.

So let me welcome our witnesses today. Mr. Gene Dodaro is the Comptroller General of the Government Accountability Office. Welcome. Thank you for being here.

And Dr. Douglas Elmendorf is the Director of the Congressional Budget Office. Welcome. Thank you for being here.

For fiscal year 2015, GAO and CBO both share a similar goal of returning to normal business after several years of budget uncertainty and sequestration. Because both agencies' budgets are comprised almost entirely of personnel costs, sequestration has forced both GAO and CBO to let staffing levels dwindle and defer training.

For fiscal year 2014, this subcommittee provided a modest amount of additional funding to restore many of the staffing losses at GAO and CBO. And now for fiscal year 2015, both agencies are asking to maintain these new restored staffing levels and to return to investing in training and deferred needs like IT infrastructure.

GAO requests \$556 million for fiscal year 2015 to continue its mission as the audit, evaluation, and investigative arm of Congress. The request represents a 2.1 percent increase to the 2014 level, mainly for adding the full-year costs of new 2014 hires to the base funding.

CBO requests \$46 million for fiscal year 2015 to continue its mission to provide Congress with nonpartisan, objective budget analysis. The request represents an increase of less than 1 percent, like GAO, mainly for adding the full-year costs of new 2014 hires to their base funding.

I look forward to discussing with both of you your efforts to restore the lost expertise that has happened over the last few years as the result of sequestration so that we can best serve the needs of Congress. And also I look forward to discussing any other challenges that you may be facing.

Now I am going to turn over to my ranking member, Senator Hoeven, for his remarks. Senator Hoeven.

STATEMENT OF SENATOR JOHN HOEVEN

Senator HOEVEN. Thanks. I would like to thank Chairman Shaheen for her work on the committee.

And thanks both to you, Mr. Dodaro, and to you, Dr. Elmendorf, for being here and for the work that you do, GAO and CBO, two agencies that have tremendous impact on what is done here in the Congress, both in terms of making sure that we are doing things accurately and understanding exactly what the costs of the legislation is and how it impact our citizens in terms of the work at GAO, but also then in trying to craft legislation and getting it scored from the perspective of CBO. Both of you and your agencies have incredible impact on really the course of public policy and, therefore, on our country.

And so, as we work on your budgets, it is important that we do everything we can to make sure that you are able to operate as effectively as possible because I think the impact of your work is

truly profound. And of course, it is a very much people-driven business, very similar in that respect.

And I would say that also an IT-driven business, but really people. It is really about having sharp, hard-working people doing a really good job for the citizens of this great country.

And so, as we make this evaluation in terms of your budget, I think we want to be as helpful as we can. Obviously, we are in a resource-constrained environment. But in the case of both your agencies, the potential to generate an incredible benefit-cost relationship is there in a big, big way.

And so, I am certainly mindful of that. I know our chairman is. But really, my hope is, as we work through this budget process with you, we do the best job we can to make sure that you have the people that you need to do your work because it does have such a big, big impact on the public policy that we pass. And of course, ultimately then, of course, on the citizens of our country.

So thanks so much for being here.

Senator SHAHEEN. Thank you very much, Senator Hoeven.

I am going to ask you to begin, Mr. Dodaro, followed by Dr. Elmenhof. And if I could ask you to limit your spoken remarks to about 5 minutes, we will take your full statement for the record, and that way, we will have plenty of time for Q&A.

So, Mr. Dodaro.

SUMMARY STATEMENT OF GENE L. DODARO

Mr. DODARO. Very good. Thank you very much, Chairwoman Shaheen and Ranking Member Senator Hoeven.

Good afternoon to you. The first thing I would like to do today is thank you very much for your support for the fiscal year 2014 levels. It was much appreciated that you showed trust and confidence in us. We will continue to provide a good return on that investment.

In fiscal year 2013, as a result of GAO recommendations, we generated financial benefits of over \$51 billion, which is about a \$100 return for every \$1 invested in GAO. In addition to that, there were billions of dollars in financial benefits that were included in the Consolidated Appropriations Act of fiscal year 2014, which helped offset the sequester based on GAO's work. This involved areas such as raising aviation security fees, filling the Strategic Petroleum Reserve more efficiently, and increasing the premiums for the Pension Benefit Guaranty Corporation, which is on our high-risk list.

In addition, we had over 1,300 other benefits as a result of our work that helped improve the efficiency and effectiveness of Federal programs, and improved public health and safety. These benefits also provide help to the Congress to make informed decisions and provide effective oversight over the executive branch activities.

As you indicated, Chairwoman Shaheen, in your opening statement, we are asking for funds for 2015 in order to maintain staffing. With the support that you have given us for 2014, our goal is to increase our full-time equivalent resource base from 2,849 to 2,945. So that is an increase of almost 100 FTE equivalents.

This is a challenge since we received the appropriation about 4 months into the fiscal year. We are trying to revise our hiring prac-

tices to ensure that we can bring people in on time. I am convinced we can bring in quality people. In order to get them all onboard and on time, we have got a good plan. So I am comfortable that we are going to be able to do that, but it will be a challenge.

Also I am convinced that, ultimately, our full-time equivalent level should be around 3,250. This year, recognizing the constrained environment, we have asked to maintain staffing at the 2,945 level, and I think it is sufficient.

I have had a number of meetings with the chairs and ranking members of the standing committees of the Congress. We serve about 95 percent of the standing committees of the Congress and two-thirds of the subcommittees, and I try to meet with as many subcommittee leaders as I can.

So based on those meetings and our strategic planning efforts with the committees throughout the Congress, our Fiscal Year 2015 request will enable us to meet the highest-priority needs of the Congress. We will continue to provide a good return on investment in areas where cost savings can be achieved in a targeted manner that won't have unintended consequences and we will also identify opportunities to enhance revenue.

PREPARED STATEMENT

I appreciate the opportunity to be here today to discuss our request with you. Thank you again for your support, and I will be happy to answer questions at the appropriate time.

[The statement follows:]

PREPARED STATEMENT OF GENE L. DODARO

GAO HIGHLIGHTS

Highlights of GAO-14-429T, a testimony before the Subcommittee on Legislative Branch, Committee on Appropriations, U.S. Senate.

BACKGROUND

GAO's mission is to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the Federal Government for the benefit of the American people. GAO provides nonpartisan, objective, and reliable information to Congress, Federal agencies, and to the public and recommends improvements, when appropriate, across the full breadth and scope of the Federal Government's responsibilities.

GAO's work supports a broad range of interests throughout Congress. In fiscal year 2013, GAO received requests for our work from 95 percent of the standing committees of Congress and almost two-thirds of their subcommittees. Additionally, senior GAO officials testified at 114 hearings on national and international issues, before 60 committees and subcommittees that touch on virtually all major Federal agencies.

GAO remains one of the best investments in the Federal Government, and GAO's dedicated staff continues to deliver high quality results. In fiscal year 2013 alone, GAO's work yielded \$51.5 billion in financial benefits—a return of about \$100 for every dollar invested in GAO. Since fiscal year 2003, GAO's work has resulted in:

- over ½ trillion dollars in financial benefits; and
- about 14,500 program and operational benefits that helped to change laws, improve public services, and promote sound management throughout government.

GAO is requesting a budget of \$525.1 million to preserve its staff capacity and continue critical information technology and building infrastructure investments.

View GAO-14-429T. For more information, contact Gene L. Dodaro at (202) 512-5500 or dodarog@gao.gov.

FISCAL YEAR 2015 BUDGET REQUEST

GAO's fiscal year (FY) 2015 budget request of \$525.1 million seeks an increase of 3.9 percent to maintain staff capacity as well as continue necessary maintenance and improvements to our information technology (IT) and building infrastructure. Additionally, receipts and reimbursements, primarily from program and financial audits, and rental income, totaling \$30.9 million are expected in fiscal year 2015.

GAO recently issued our draft Strategic Plan for Serving Congress in fiscal years 2014–2019. The plan outlines our proposed goals and strategies for supporting Congress's top priority. I also have met with the chairs and ranking members of many of the standing committees and their subcommittees to hear firsthand feedback on our performance, as well as prioritize requests for our services to maximize the return on investment.

In order to address congressional priorities, and fulfill GAO's mission, a talented, diverse, high-performing, knowledgeable workforce is essential. Workforce and succession planning remain a priority for GAO. A significant proportion of our employees are currently retirement eligible, including 34 percent of our executive leadership and 21 percent of our supervisory analysts.

In 2014, through a targeted recruiting strategy to address critical skills gaps, GAO plans to boost our employment level for the first time in 3 years to 2,945 full-time equivalents (FTE). The requested fiscal year 2015 funding level will preserve strides planned for fiscal year 2014 to increase our staff capacity. In conjunction with the ongoing recruiting efforts and planning, we will revive our intern program and hire and train an increased number of entry level employees. This will reverse the downward staffing trajectory, develop a talented cadre of analyst and leaders for the future, achieve progress in reaching an optimal FTE level of 3,250 FTE, and assist GAO in meeting the high priority needs of Congress.

We also take great pride in reporting that we continue to be recognized as an employer of choice, and have been consistently ranked near the top on "best places to work" lists.

Improvements to our aging IT infrastructure will allow GAO to further streamline business operations, increase staff efficiency and productivity, as well as improve access to information. Planned investments in IT will address deferred upgrades and enhance our technology infrastructure to support an array of engagement management, human capital, and financial management systems.

We also plan to continue upgrading aging building systems to ensure more efficient operations and security. Areas of focus include, increasing the energy efficiency and reliability of the heating, ventilation, and air conditioning system; enhancing continuity planning and emergency preparedness capabilities; and addressing bomb blast impact mitigation efforts.

Chairwoman Shaheen, Ranking Member Hoeven, and Members of the Subcommittee:

On behalf of the U.S. Government Accountability Office (GAO), I appreciate the opportunity to discuss our fiscal year (FY) 2015 budget request. I also want to thank the subcommittee for its continued support of GAO and the confidence you have shown in our efforts to help support the Congress.

With Congress's support, our fiscal year 2014 funding will allow GAO to increase its staff capacity to 2,945 full-time equivalents (FTE). This level reverses a downward FTE trajectory and allows us to make progress towards our optimal FTE level of 3,250.

GAO's fiscal year 2015 budget request of \$525.1 million represents an increase of 3.9 percent that will preserve the 2,945 FTE level planned for fiscal year 2014, as well as allow for needed maintenance and improvements to our information technology (IT) and building infrastructures. This will ensure we have the staff capacity to support Congress in carrying out its responsibilities and oversight.

ASSISTING CONGRESS AND THE NATION

GAO remains one of the best investments in the Federal Government, and our dedicated staff continues to deliver high quality results. In fiscal year 2013 alone, GAO provided services that spanned the broad range of Federal programs and activities. We received requests for our work from 95 percent of the standing committees of Congress and almost two-thirds of their subcommittees. We reviewed a wide range of Government programs and operations including those that are at high risk for fraud, waste, abuse, and mismanagement. GAO also reviewed agencies' budgets as requested to help support congressional decisionmaking.

Last year, our work yielded significant results across the Government, including \$51.5 billion in financial benefits—a return of about \$100 for every dollar invested in GAO. Also, in fiscal year 2013, we issued 709 reports and made 1,430 new recommendations. The findings of our work were often cited in House and Senate deliberations and committee reports to support congressional action, including improving Federal programs on our High Risk list; addressing overlap, duplication, and fragmentation; and assessing defense, border security and immigration issues. Our findings also supported the Bipartisan Budget Act of 2013, in areas such as aviation security fees, unemployment insurance, improper payments to inmates, the strategic petroleum reserve, and the contractor compensation cap.

Senior GAO officials also provided testimony 114 times before 60 committees or subcommittees on a wide range of issues that touched virtually all major Federal agencies. A list of selected topics addressed is included in Appendix I.

Financial Benefits

GAO's findings and recommendations produce measurable financial benefits through congressional action or agency implementation. Examples of fiscal year 2013 financial benefits resulting from congressional or Federal agency implementation of GAO recommendations include:

- \$8.7 billion from reducing procurement quantities of the Joint Strike Fighter Program:* DOD decreased near-term procurement quantities in three successive budget submissions to lessen concurrency and the associated cost risks in light of our numerous recommendations citing the F-35 Joint Strike Fighter program's very aggressive and risky acquisition strategy, including substantial overlap among development, testing, and production activities.
- \$2.6 billion from revising the approach for the Navy's Next Generation Enterprise Network (NGEN) Acquisition:* Our recommendations led Navy to revise its NGEN acquisition strategy—which was riskier and potentially costlier than other alternatives identified due to a higher number of contractual relationships—thus significantly reducing program costs between 2013 and 2017.
- \$2.5 billion from eliminating seller-funded payment assistance for FHA-insured mortgages:* The Department of Housing and Urban Development and Congress took steps to prohibit seller-funded down payment assistance, citing our findings that losses associated with those loans had substantially higher delinquency and insurance claim rates than similar loans without such assistance, and were contributing to the Federal Housing Administration's deteriorating financial performance.
- \$2.3 billion from consolidating U.S. Forces stationed in Europe:* DOD removed two brigade combat teams and support units from Europe, allowing it to further consolidate and close facilities, based in part on our work showing significant costs related to maintaining permanent Army forces in Europe and our recommendations that DOD identify alternatives that might lead to savings.
- \$1.3 billion through improved tax compliance:* Our recommendations on the use of information reporting to reduce the tax gap contributed to legislation requiring banks and others to report income that merchants receive through credit cards, third-party networks, and other means to help IRS verify information reported on merchants' income tax returns. The estimated increased revenue through improved tax compliance is expected over the provision's first 3 fiscal years.

GAO has generated recommendations that save resources, increase Government revenue, improve the accountability, operations, and services of Government agencies, increase the effectiveness of Federal spending as well as provide other benefits. Since fiscal year 2003, GAO's work has resulted in substantial financial and other benefits for the American people, including:

- over ½ trillion dollars in financial benefits;
- about 14,500 program and operational benefits that helped to change laws, improve public services, and promote sound management throughout Government; and
- about 12,000 reports, testimony, and other GAO products that included over 22,000 recommendations.

Program and Operational Benefits

In fiscal year 2013, GAO also contributed to 1,314 program and operational benefits that helped to change laws, improve public services, and promote sound management throughout Government. Thirty six percent of these benefits are related to business process and management, 31 percent are related to public safety and security, 17 percent are related to program efficiency and effectiveness, 8 percent are related to acquisition and contract management, 5 percent are related to public in-

surance and benefits, and 3 percent are related to tax law administration. Examples include:

- enhancing coordination between DOD and the Social Security Administration (SSA) on the more timely delivery of military medical records through electronic transfer;
- improving Veterans Affairs (VA) oversight of its medical equipment and supply purchasing;
- increasing collaboration between the Army and Veterans Affairs through a joint working group to improve management of military cemeteries and help eliminate burial errors and other past problems;
- updating Federal Emergency Management Administration (FEMA) National Flood Insurance Program contract monitoring policies to reduce the likelihood that contractor performance problems would go unnoticed; and
- establishing National Oceanic and Atmospheric Administration policies outlining the processes, roles and responsibilities for transitioning tsunami research into operations at tsunami warning centers.

Overlap, Duplication, and Fragmentation

In fiscal year 2013 GAO issued its third annual report on overlap, duplication, and fragmentation. In it, we identified 31 new areas where agencies may be able to achieve greater efficiency or effectiveness. Within these 31 areas, we identified 81 actions that the executive branch and Congress could take to reduce fragmentation, overlap, and duplication, as well as other cost savings and revenue enhancement opportunities. This work identifies opportunities for the Federal Government to save billions of dollars.

We also maintain a scorecard and action tracker on our external website where Congress, Federal agencies, and the public can monitor progress in addressing our findings. Federal agencies and Congress have made some progress in addressing the 131 areas we identified and taking the 300 actions that we recommended in our 2011 and 2012 reports.

High Risk Programs

In February 2013 GAO issued the biennial update of our High Risk report, which focuses attention on Government operations that are at high risk of fraud, waste, abuse, and mismanagement, or need transformation to address economy, efficiency, or effectiveness challenges. This report, which will be updated in 2015, offers solutions to 30 identified high-risk problems and the potential to save billions of dollars, improve service to the public, and strengthen the performance and accountability of the U.S. Government. Our 2013 High Risk work produced 164 reports, 35 testimonies, \$17 billion in financial benefits, and 411 program and operational benefits.

The major cross-cutting High Risk program areas identified as of September 2013 range from transforming DOD program management and managing Federal contracting more effectively, to assessing the efficiency and effectiveness of tax law administration and modernizing and safeguarding insurance and benefit programs.

The complete list of high-risk areas is shown on Appendix II. Details on each high risk area can be found at <http://www.gao.gov/highrisk/overview>.

Electronic Protest Docketing System

GAO's fiscal year 2014 budget request sought statutory authority for a new electronic docketing system to be funded by a filing fee collected from companies filing bid protests. The sole purpose of the filing fee would be to offset the cost of developing, implementing, and maintaining the system. We appreciate that the Consolidated Appropriations Act, 2014, directed GAO to develop an electronic filing and document dissemination system under which persons may electronically file bid protests and documents may be electronically disseminated to the parties. GAO is making progress in establishing the electronic protest docketing system. We have convened an interdisciplinary team of experts within GAO to examine matters such as technical requirements, the potential for commercially available systems, fee structure, cost-benefit analysis, and outreach to stakeholders, including representatives from the small business community. GAO will be reporting regularly to the House and Senate Committees on Appropriations on its progress in implementing the system.

Watchdog Website

In September 2013, GAO launched the Watchdog website, which provides information exclusively to Members and congressional staff through the House and Senate intranets. The new site is designed to provide a more interactive interface for Members and their staff to request our assistance and to access our ongoing work.

In addition, Watchdog can help users quickly find GAO's issued reports and legal decisions as well as key contact information.

STRATEGIC PLAN FOR SERVING CONGRESS

In December 2013, Members and their staff were invited to comment on our draft Strategic Plan for Serving Congress in fiscal years 2014–2019. The draft plan was issued in February 2014 and outlines our proposed goals and strategies for supporting Congress's top priorities. Our strategic plan framework (Appendix III) summarizes the global trends, as well as the strategic goals and objectives that guide our work. GAO's strategic goals and objectives are shown in Figure 1.

FIGURE 1: GAO STRATEGIC GOALS AND OBJECTIVES—FISCAL YEAR 2014 THROUGH FISCAL YEAR 2019

Goals	Objectives
Provide Timely, Quality Service to Congress and the Federal Government to . . . Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People related to . . .	—Healthcare needs —Lifelong learning —Benefits and protections for workers, families and children —Financial security —Effective system of justice —Viable communities —Stable financial system consumer protection —Stewardship of natural resources the environment —Infrastructure
Respond to Changing Security Threats and the Challenges of Global Interdependence involving . . .	—Homeland security —Military capabilities readiness —U.S. foreign policy interests —Global market forces
Help Transform the Federal Government to Address National Challenges by assessing.	—The Government's fiscal position and outlining options for closing the fiscal gap —Fraud, waste, and abuse —Major management challenges and program risks
Maximize the Value of GAO by Enabling Quality, Timely Service to Congress and Being a Leading Practices Federal Agency in the areas of . . .	—Efficiency, effectiveness, and quality —Diverse and inclusive work environment —Professional networks collaboration —Institutional stewardship resource management

Source: GAO.

The draft strategic plan also summarizes the trends shaping the United States and its place in the world. The plan reflects the areas of work we plan to undertake, including science and technology, weapons systems, the environment, and energy. We also will increase collaboration with other national audit offices to get a better handle on global issues that directly affect the United States, including international financial markets; food safety; and medical and pharmaceutical products. These trends include:

- U.S. National Security Interests;
- Fiscal Sustainability and Challenges;
- Global Interdependence and Multinational Cooperation;
- Science and Technology;
- Communication Networks and Information Technology;
- Shifting Roles in Governance and Government; and
- Demographic and Societal Changes.

In the upcoming decade, for example, the U.S. will face demographic changes that will have significant fiscal impacts both on the Federal budget and the economy. The number of baby boomers turning 65 is projected to grow from an average of about 7,600 per day in 2011, to more than 11,600 per day in 2025, driving spending for major health and retirement programs.

To ensure the updated strategic plan reflects the needs of Congress and the nation, we have solicited comments from stakeholders in addition to Congress, including GAO advisory entities, the Congressional Budget Office, and the Congressional Research Service.

MANAGING WORKLOAD BY FOCUSING RESOURCES ON CONGRESSIONAL PRIORITIES

To manage our congressional workload, we continue to take steps to ensure our work supports congressional legislative and oversight priorities and focuses on areas where there is the greatest potential for results such as cost savings and improved Government performance. Ways that we actively work with congressional committees in advance of new statutory mandates¹ include (1) identifying mandates real time as bills are introduced; (2) participating in ongoing discussions with congressional staff; and (3) collaborating to ensure that the work is properly scoped and is consistent with the committee's highest priorities.

In fiscal year 2013, 35 percent of our audit resources were devoted to mandates and 61 percent to congressional requests. I have met with the chairs and ranking members of many of the standing committees and their subcommittees to hear first-hand feedback on our performance, as well as highlight the need to prioritize requests for our services to maximize the return on investment.

Repeal or Revision of Mandates

GAO also appreciates Congress's assistance in repealing or revising statutory mandates that are either outdated or need to be revised. This helps streamline GAO's workload and ensure we are better able to meet current congressional priorities. During the second session of the 112th Congress, based on our input, 16 of GAO's mandated reporting requirements were revised or repealed because over time they had lost relevance or usefulness. In addition, GAO worked with responsible committees to have 6 more mandates repealed or revised as part of the 2014 National Defense Authorization Act.

GAO has identified 11 additional mandates for revision or repeal and is currently working with the appropriate committees to implement these changes. For example, our request includes language to repeal a requirement for GAO to conduct bi-monthly reviews of State and local use of Recovery Act funds. As the vast majority of Recovery Act funds have been spent, GAO's reviews in this area are providing diminishing returns for Congress.

Promoting Good Governance and Accountability

GAO is seeking authority to establish a Center for Audit Excellence to improve domestic and international auditing capabilities. The Center also will provide an important tool for promoting good governance, transparency and accountability. There is a worldwide demand for an organization with GAO's expertise and stature to assume a greater leadership role in developing institutional capacity in other audit offices and provide training and technical assistance throughout the domestic and international auditing communities. The proposed Center would operate on a fee-basis, generating revenue to sustain its ongoing operation, including the cost of personnel and instructors. The Center would be primarily staffed with retired GAO and other auditors, and thus, would not detract from or impact the service GAO provides to Congress.

In a similar vein, to provide staff from other Federal agencies with developmental experiences, GAO is requesting authority to accept staff from other agencies on a non-reimbursable basis, who can learn about GAO's work. This would allow people to develop expertise and gain experience that will enhance their work at their own agencies.

GAO RECOGNIZED AS ONE OF THE "BEST PLACES TO WORK"

We take great pride in reporting that we continue to be recognized as an employer of choice, and have been consistently ranked near the top on "best places to work" lists. In 2013, we ranked third overall among mid-sized Federal agencies on the Partnership for Public Service's "Best Places to Work" list, and again ranked number one in our support of diversity. Also, in November 2013, Washingtonian Magazine named us as one of the "50 Great Places to Work" in the Washington, D.C. region among public or private entities.

In addition, earlier this year, O.C. Tanner, a company that develops employee recognition programs, cited us in its article, "Top 10 Coolest Companies to Work for in Washington, D.C." Our management continues to work with our union (IFPTE, Local 1921), the Employee Advisory Council, and the Diversity Advisory Council to make GAO a preferred place to work.

¹ Congressional mandates include requirements directed by statutes, congressional resolutions, conference reports, and committee reports.

FISCAL YEAR 2015 REQUIREMENTS

GAO's fiscal year 2015 budget request will preserve staff capacity and continue critical infrastructure investments. Offsetting receipts and reimbursements primarily from program and financial audits and rental income totaling \$30.9 million are expected in fiscal year 2015. The requested resources provide the funds necessary to ensure that GAO can meet the highest priority needs of Congress and produce results to help the Federal Government deal effectively with its serious fiscal and other challenges. A summary of GAO's appropriations for our fiscal year 2010 baseline and fiscal years 2013 to 2015 is shown in Figure 2.

FIGURE 2: FISCAL YEAR 2010 BASELINE AND FISCAL YEAR 2013 TO FISCAL YEAR 2015 SUMMARY OF RESOURCES

[Dollars in thousands]

Funding Source	Fiscal Year 2010 Actual		Fiscal Year 2013 Actual		Fiscal Year 2014 Estimated		Fiscal Year 2015 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Salaries and Expenses								
Appropriation		\$556,325		\$479,407		\$505,383		\$525,116
Non-legislative-branch								
appropriation		21,804		345		70		—
Reimbursements		10,214		13,460		10,980		6,700
Offsetting receipts		10,892		25,922		26,950		23,750
Bid protest user fees		—		—		—		450
Total budget authority	3,347	\$599,235	2,849	\$519,134	2,945	\$543,383	2,945	\$556,016

Source: GAO.

Staff Capacity

The requested funding supports a staffing level of 2,945 FTEs, and provides funding for mandatory pay costs, staff recognition and benefits programs, and activities to support congressional engagements and operations. These funds are essential to ensure GAO can address succession planning challenges, provide staff meaningful benefits and appropriate resources, and compete with other agencies, nonprofit institutions, and private firms who offer these benefits to the talent GAO seeks.

In order to address the priorities of Congress, GAO needs a talented, diverse, high-performing, knowledgeable workforce. However, a significant proportion of our employees are currently retirement eligible, including 34 percent of our executive leadership and 21 percent of our supervisory analysts. Therefore, workforce and succession planning remain a priority for GAO.

Moreover, for the first time in several years our budget allows us to replenish the much needed pipeline of entry level and experienced analysts to meet future workload challenges. In fiscal year 2014, through a targeted recruiting GAO plans to hire entry-level staff and student interns, boosting our staff capacity for the first time in 3 years to 2,945 FTE. This will allow GAO to reverse the downward trend in our FTEs and achieve some progress in reaching our optimal staffing level of 3,250 FTE, and develop a talent pool for the future.

Our fiscal year 2015 budget request seeks funding to maintain the 2,945 FTE level. In fiscal year 2015, pending final OPM guidance, we also plan to implement a phased retirement program to incentivize potential retirement eligible staff to remain with GAO and assist in mentoring and sharing knowledge with staff.

Improving Internal Operations

Efforts to address challenges related to GAO's internal operations primarily relate to our engagement efficiency, information technology and building infrastructure needs.

—Engagement Efficiency

To better serve Congress and the public, we expanded our presence in digital and social media, releasing GAO iPhone and Android applications, and launching streaming video web chats with the public. During the past year, 7,600 additional people began receiving our reports and legal decisions through our Twitter feed. More than 26,600 people now get our reports, testimonies, and legal decisions daily on Twitter.

GAO remains focused on improving the efficiency of our engagements through streamlining or standardizing processes without sacrificing quality. In fiscal

years 2012 and 2013, we continued our improvements in this area. For example, with active involvement from GAO's managing directors, we identified changes to key steps and decision points in our engagement process and now have a revised engagement process that we began implementing on a pilot basis in January 2014. We also piloted and revised a tool to help teams better estimate expected staff days required for engagements. In fiscal year 2014, we plan to implement a series of process changes that will transform the management of engagements, the use of resources, and message communication.

—More Efficient Content Creation, Review, and Publication

GAO will strive to dramatically improve the efficiency of our content creation and management processes by standardizing, automating, and streamlining the currently cumbersome and manually intensive processes for creating, fact-checking, and publishing GAO products. In fiscal year 2014, we plan to request proposals to acquire a technical solution and phase implementation in fiscal years 2014 and 2015. The proposed system will automate document routing and approvals, incorporate management and quality assurance steps, and generate required documentation. To ensure our message is available to both our clients and the public, the proposed system capability will also enable GAO to routinely publish content on GAO.gov, GAO's mobile site, and various social media platforms.

—Greater Transparency of Engagement Information

To promote transparency, increase management capabilities, and reduce duplicate data entry and costs, in fiscal year 2014 GAO will begin implementing a modernized, one-stop engagement management system. This system automates key business rules and decision points, improves resource management, eliminates rework, and provides increased visibility for all participants. In fiscal year 2015, we will retire legacy databases as the new system becomes fully operational.

—Infrastructure Improvements

The fiscal year 2015 budget also provides funds to maintain our information technology (IT) systems, which are a critical element in our goal to maintain efficient and effective business operations and to provide the data needed to inform timely management decisions. Improvements to our aging IT infrastructure will allow GAO to further streamline business operations, reduce redundant efforts, increase staff efficiency and productivity, improve access to information, and enhance our technology infrastructure to support an array of engagement management, human capital, and financial management systems.

GAO also plans to continue upgrading aging building systems to ensure more efficient operations and security. To support these requirements our fiscal year 2015 budget request includes resources to:

- begin upgrading the heating, ventilation, and air conditioning system to increase energy efficiency and reliability;
- repair items identified in our long-range asset management plan, such as the water heater, chiller plant, and cooling fans;
- enhance continuity planning and emergency preparedness capabilities; and
- address bomb blast impact mitigation efforts.

CONCLUDING REMARKS

In conclusion, GAO values the opportunity to provide Congress and the Nation with timely, insightful analysis. The fiscal year 2015 budget requests the resources to ensure that we can continue to address the highest priorities of Congress.

Our request seeks an increase to maintain our staffing level and provide employees with the appropriate resources and support needed to effectively serve Congress. The funding level will also allow us to continue efforts to promote operational efficiency, and begin addressing long-deferred investments and maintenance.

This concludes my prepared statement. I appreciate, as always, your continued support and careful consideration of our budget. I look forward to discussing our fiscal year 2015 request with you.

APPENDIX I: SELECTED TESTIMONY TOPICS FOR FISCAL YEAR 2013, BY STRATEGIC GOAL

Goal 1: Address Current and Emerging Challenges to the Well-being and Financial Security of the American People

Processing Veterans' Disability Benefits	Water Infrastructure
Science, Technology, Engineering, and Mathematics Education	Medicare Highest-Expenditure Part B Drugs
Social Security Administration Management	Community Bank Failures: Causes and Consequences
School Lunch Nutrition Standards	Transportation Issues and Management
Medicare and Medicaid High Risk Update	Federal Real Property Management
Export-Import Bank Management and Reporting	U.S. Postal Service Financial Viability
Veteran-owned Small Businesses	Private Pensions Multiemployer Plans and PBGC
Patient Protection and Affordable Care Act	Chemical Regulation
	California High Speed Passenger Rail
	Federal Courthouse Construction

Goal 2: Respond to Changing Security Threats and the Challenges of Global Interdependence

Intellectual Property: Effect of Counterfeited and Pirated Goods on U.S. Economy	DOD Security Cooperation and Capacity Building
State Department: Diplomatic Security Challenges	Trade Adjustment Assistance for Manufacturers and Service Firms
DOD's POW/MIA Mission and Challenges	Naval Acquisition Risks: Littoral Combat Ship
Personnel Security Clearances	Strategic Sourcing Potential Savings
DHS at 10 Years: Progress and Remaining Work	DOD Acquisition Risks: F-35 Joint Strike Fighter
TSA Oversight of Alleged Misconduct	Modernizing the Nuclear Security Enterprise
DHS's Overstay Enforcement Efforts	Border Security Goals, Measures, and Resources

Goal 3: Help Transform the Federal Government to Address National Challenges

Need for Federal IT Efficiency Implementation Initiatives	Improved Mitigation Strategies Needed for Environmental Satellite Coverage Gaps
Need to Improve National Cybersecurity Strategy	Unknown Extent of Refund Fraud Using Stolen Identities
Weaknesses in OPM IT Management and Incremental Improvements	Progress Made by DHS in Addressing High-Risk Issues
Financial Performance and Management Challenges	Need to Eliminate Duplicative IT Investments
GAO's 2013 High-Risk Series Update	
VA and DOD Sharing of Electronic Health Records	

Source: GAO.

Additional information on selected testimonies can be found in Part II of the 2013 Performance and Accountability Report at: <http://www.gao.gov/products/GAO-14-2SP>.

APPENDIX II: GAO's 2013 HIGH RISK LIST

Strengthening the Foundation for Efficiency and Effectiveness

Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks (new)	Restructuring the U.S. Postal Service to Achieve Sustainable Financial Viability
Management of Federal Oil and Gas Resources	Funding the Nation's Surface Transportation System
Modernizing the U.S. Financial Regulatory System and Federal Role in Housing Finance	Strategic Human Capital Management
	Managing Federal Real Property

Transforming DOD Program Management

DOD Approach to Business Transformation	DOD Financial Management
DOD Business Systems Modernization	DOD Supply Chain Management
DOD Support Infrastructure Management	DOD Weapon Systems Acquisition

Ensuring Public Safety and Security

Mitigating Gaps in Weather Satellite Data (new)	Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests
Strengthening Department of Homeland Security Management Functions	Revamping Federal Oversight of Food Safety
Establishing Effective Mechanisms for Sharing and Managing Terrorism-Related Information to Protect the Homeland	Protecting Public Health through Enhanced Oversight of Medical Products
Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures	Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals

Managing Federal Contracting More Effectively

DOD Contract Management	
DOE's Contract Management for the National Nuclear Security Administration & Office of Environmental Management	
NASA Acquisition Management	

Assessing the Efficiency and Effectiveness of Tax Law Administration

Enforcement of Tax Laws	
-------------------------	--

Modernizing and Safeguarding Insurance and Benefit Programs

Improving and Modernizing Federal Disability Programs	Medicare Program
Pension Benefit Guaranty Corporation Insurance Programs	Medicaid Program
	National Flood Insurance Program

Source: GAO.

APPENDIX III: GAO'S STRATEGIC PLAN FRAMEWORK

Serving the Congress and the Nation

GAO's Strategic Plan Framework



MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

Trends Shaping the United States and Its Place in the World

National Security Trends	Fiscal Sustainability and Debt Challenges	Global Interdependence	Science and Technology Trends	Communications Networks and Information Technologies	Shifts in Governance and Government	Demographic and Societal Change
Goals			Objectives			
Provide Timely, Quality Service to the Congress and the Federal Government to...			<ul style="list-style-type: none"> Health care needs Lifelong learning Challenges facing an aging population Effective system of justice Housing finance and viable communities 			
Address Current and Emerging Challenges to the Well-being and Financial Security of the American People related to...			<ul style="list-style-type: none"> Stable financial system and consumer protection Natural resources and the environment National infrastructure Benefits and protections for workers, families, and children 			
Respond to Changing Security Threats and the Challenges of Global Interdependence involving...			<ul style="list-style-type: none"> Homeland security Military capabilities and readiness Foreign policy and international economic interests 			
Help Transform the Federal Government to Address National Challenges by assessing...			<ul style="list-style-type: none"> Government's fiscal position and approaches to address current and projected fiscal gaps Federal government audit and internal control standards Major management challenges and program risks Fraud, waste, and abuse, and improvements in internal controls 			
Maximize the Value of GAO by Enabling Quality, Timely Service to the Congress and Being a Leading Practices Federal Agency by focusing on...			<ul style="list-style-type: none"> Efficiency, effectiveness, and quality Diverse workforce and inclusive work environment Networks, collaborations and partnerships Human, information, fiscal, technological, and physical resources 			

CORE VALUES

Accountability	Integrity	Reliability
----------------	-----------	-------------

Source: GAO.

GAO Strategic Plan 2014-2019

Senator SHAHEEN. Thank you very much.
Dr. Elmendorf.

CONGRESSIONAL BUDGET OFFICE

STATEMENT OF DOUGLAS W. ELMENDORF, PH.D., DIRECTOR

Dr. ELMENDORF. Thank you, Madam Chair and Ranking Member Hoeven.

I appreciate the opportunity to present CBO's budget request for fiscal year 2015.

As you mentioned, Madam Chair, we are asking for appropriations of \$46.1 million, which would be an increase of roughly \$400,000, or less than 1 percent, from the \$45.7 million provided to CBO for 2014.

The requested funding would enable us to achieve and maintain staffing of 235 full-time equivalent positions. Two hundred thirty-five FTEs is the level intended under the 2014 appropriation. Although we will be unable to fully attain it this year, that 235 FTEs is also in line with what was funded for CBO between 2004 and 2008.

For 2009 and 2010, the Congress approved significant increases in our budget to support a step-up in staffing to more than 250 FTEs. That step-up was intended primarily to increase the agency's ability to analyze potential changes in Federal healthcare policy while maintaining our capacity to provide cost estimates and reports on other topics.

However, because of the budget constraints of recent years, CBO's staffing has dropped to about 220 FTEs currently. With the funding provided for 2014, we have sharply increased our recruiting efforts in order to return our staffing to the traditional level of 235 FTEs as quickly as possible so that we can better serve the Congress.

As an economist, I pay a lot of attention to supply and demand. It is not unusual for the demand for CBO's estimates and analyses to exceed the quantity we can supply. But the mismatch has been more acute than usual in the past several years.

The enactment of the major healthcare legislation of 2010 has been followed by a high level of congressional interest in our analysis of that legislation and also in proposals for changes in Federal healthcare policy. In addition, the slow recovery from the economic downturn has spurred interest in our economic forecasts and in policies that might boost economic growth and opportunity in the near term and also in the longer term.

Moreover, the surge in Federal debt and the projected high-level deficits in the long run have led to efforts to enact fundamental changes in spending and tax policies. All of those developments have strained CBO's resources, and we consult regularly with the key committees and the leadership offices to ensure that our resources are focused on the work that is of the highest priority to Congress.

We are very grateful for the Congress' decision to restore our staffing to its previous level so that we can say yes to more requests and can respond more quickly.

As you know, our work encompasses the wide array of subjects that Congress deals with and takes the form of many different kinds of products. We produce regular projections of the budget and economy under current law. We produce longer-term projections. We do analyses of the President's budget each year, and we present you with a wide range of options for reducing budget deficits.

We produce about 500 formal written cost estimates each year and thousands of preliminary informal estimates as committees try to understand the budgetary impact of proposals before they formally consider legislation. We produce about 130 scorekeeping tabulations each year for the appropriations committees, including account-level detail for individual appropriations acts and various summary tables and running totals as the year goes on.

And we produce dozens of analytical reports and other publications each year generally required by law or prepared in response to requests from the chairman or ranking member of key committees on a broad range of topics, including healthcare, policies for increasing economic growth and opportunity, changes in benefit programs, defense policy, energy policy, infrastructure, and the Government's role in the financial system.

Closing, I want to thank you, on behalf of myself and my colleagues, for the support you provided to CBO for many years, and we look forward to continuing to provide Congress with careful, objective, nonpartisan analysis as you grapple with the many challenging issues facing the Nation.

PREPARED STATEMENT

I am happy to answer any questions you have about our budget or about the work that we are doing.

Thank you.

[The statement follows:]

PREPARED STATEMENT OF DR. DOUGLAS W. ELMENDORF

Madame Chair, Ranking Member Hoeven, and Members of the Subcommittee, thank you for the opportunity to present the Congressional Budget Office's (CBO's) budget request.

CBO requests appropriations of \$46.1 million for fiscal year 2015. That amount represents an increase of roughly \$400,000, or less than 1 percent, from the \$45.7 million provided to CBO for 2014.

The requested funding would enable CBO to achieve and maintain staffing of 235 full-time-equivalent positions (FTEs), which is the level contemplated in the 2014 appropriation and in line with the FTEs funded between 2004 and 2008. After the budget constraints of recent years, CBO's staffing dropped from a peak of 250 FTEs in fiscal year 2010 to about 220 FTEs now, and the agency is currently engaged in an intensive effort to use the increased funding to bolster its staff so that it can better serve the Congress. Of the requested funding for 2015, 91 percent would support pay and benefits, 6 percent would be for information technology (IT), and 3 percent would go toward purchases of data, training, office supplies, and other items.

CBO'S FUNDING HISTORY AND ITS EFFECTS ON STAFFING AND OUTPUT

Because such a large share of CBO's budget represents compensation, the contours of the agency's budget and staffing levels have been and will continue to be closely linked.

Between fiscal years 2002 and 2008, the number of authorized FTEs at CBO held between 232 and 235 (see Figure 1). During that period, CBO's budget generally

rose slowly, as Federal employees received salary increases and the cost of Federal benefits increased. For fiscal years 2009 and 2010, the Congress approved larger increases in CBO's budget to support a step-up in staffing. That step-up was intended primarily to increase the agency's ability to analyze potential changes in Federal healthcare policy while maintaining its capacity to provide cost estimates and reports on other topics. CBO had sufficient funding for 254 FTEs in 2010.

Figure 1.

FTEs Authorized for Fiscal Years 2002 Through 2015



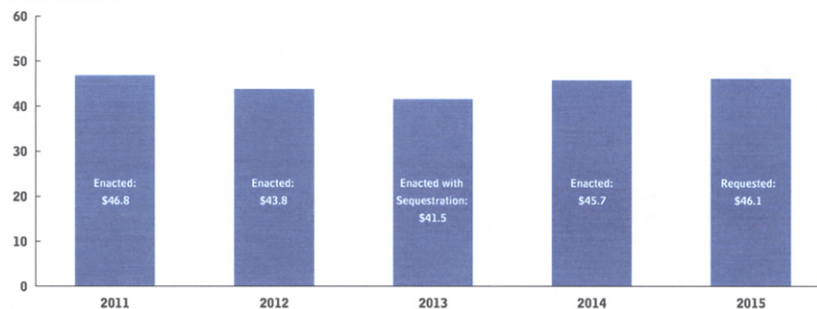
The increase in staffing enabled CBO to engage in analyses of particularly complex issues and to provide substantially more estimates and other analyses to the Congress. Among the accomplishments that were facilitated by the larger staff were a significant expansion of healthcare analysis, substantial enhancement of financial analysis, considerable improvement in modeling the economic effects of Federal tax and spending policies, the issuance of several reports with options for changing Federal benefit programs, significant gains in the transparency of CBO's analysis, and continued high quality of the agency's cost estimates and analyses of numerous other topics.

However, constraints on CBO's funding (and on discretionary appropriations as a whole) caused the agency's staffing to shrink in fiscal years 2011 through 2013. The agency's appropriation for 2013 was well below the amounts provided to the agency during the preceding years (see Figure 2). Those cuts, combined with small increases in average pay and rising costs of benefits and other items during those years, required a drop in the number of FTEs to only 225 in 2013, the lowest level in more than a dozen years. In addition, the agency had to defer critical purchases of IT equipment and services and other items.

Figure 2.

Funding for Fiscal Years 2011 Through 2015

(Millions of dollars)



CBO's appropriation for 2014 is significantly larger than its appropriation for 2013. Accordingly, the agency has sharply increased its recruiting efforts in order to return its staffing to the traditional level of 235 FTEs as quickly as possible, and it is catching up on deferred purchases.

CBO'S FUNDING REQUEST AND ITS CONSEQUENCES FOR STAFFING AND OUTPUT

In fiscal year 2015, CBO will continue its mission of providing objective, insightful, timely, and clearly presented budgetary and economic information to the Congress. Funding of \$46.1 million to support 235 FTEs would allow CBO to provide the following estimates and other analyses to the Congress:

- Reports presenting the outlook for the budget and the economy, analyses of the President's budget, long-term budget projections, and options for reducing budget deficits;
- More than 500 formal cost estimates, most of which will include not only estimates of Federal costs but also assessments of the cost of mandates imposed on State, local, and tribal governments or the private sector;
- Thousands of preliminary, informal cost estimates, the demand for which is very high as committees seek to have a clearer picture of the budgetary impact of proposals and variants of proposals before they formally consider legislation;
- About 130 scorekeeping tabulations, including account-level detail for individual appropriation acts at all stages of the legislative process and summary tables showing the status of discretionary appropriations (by appropriations subcommittee) and running totals on a year-to-date basis; and
- Roughly 85 analytical reports and other publications—generally required by law or prepared in response to requests from the chairmen and ranking members of key committees—on a broad range of topics, including healthcare, policies for increasing economic growth and opportunity, changes in benefit programs, defense policy, infrastructure, energy policy, and the Government's role in the financial system.

Those products would be the result of very hard work by CBO's highly dedicated staff. Nevertheless, the agency expects that the anticipated volume of estimates and other analyses will fall considerably short of the number of congressional requests. The demands on CBO remain intense: The enactment of major healthcare legislation in 2010 has been followed by a high level of congressional interest in analysis of that legislation and numerous proposals for further changes in Federal healthcare programs. In addition, the slow recovery from the economic downturn has spurred interest in the agency's economic forecasts and in policies that might boost economic growth and opportunity in both the near term and the longer term. Moreover, the surge in Federal debt and the high level of projected deficits have led to ongoing congressional efforts to enact fundamental changes in spending and tax policies, which have strained the agency's resources in many areas. CBO regularly consults with committees and congressional leadership to ensure that its limited resources are focused on the work that is of highest priority to the Congress.

The requested funds would be used as follows:

- \$31.4 million for pay of personnel—an increase of \$1.5 million (5 percent) over the amount that will be spent in fiscal year 2014—to support the increase in FTEs for a full fiscal year. (The ramp-up of staffing in 2014 will take some time, and CBO anticipates that the agency will average about 225 FTEs for the current year.) The additional staffing would be devoted to analyzing critical budgetary and economic issues of interest to the Congress, including healthcare, policies for increasing economic growth and opportunity, and many other topics. The increase would also cover performance-based salary increases for current staff and an anticipated across-the-board increase of 1.8 percent for employees making less than \$100,000 (if such an increase is authorized for executive branch agencies).
- \$10.6 million for benefits of personnel—an increase of \$0.6 million (6 percent) relative to the amount appropriated in 2014, to fund an increase in the cost of Federal benefits as well as the benefits for the added staff members.
- \$4.0 million for other purposes—a decrease of \$1.7 million (30 percent) from the amount appropriated in 2014. The funds would go toward purchases of information technology, data, training, and other items. A decrease for 2015 is made possible in part by the fact that the 2014 funding will allow CBO to catch up on deferred purchases and to make some purchases this year that will reduce future funding needs.

In closing, I would like to thank the Committee for the support it has provided CBO over many years, enabling the agency to provide timely, carefully thought-out nonpartisan budgetary and economic analysis to the Congress as it addresses the critical issues facing the Nation.

Senator SHAHEEN. Thank you both very much for your testimony.

GAO STAFF LEVELS AND WORKLOAD

I am going to begin with you, Mr. Dodaro, and we have 7-minute questioning rounds. Although with just Senator Hoeven and I here, we will probably be able to exceed that however much we want.

Mr. Dodaro, one of the things that you point out in your testimony is that, ultimately, you would really like to be at about 3,250 full-time equivalent staff. And we were able to improve staffing levels, as you pointed out, in 2014, but you still remain below that desired level of staffing by more than 200 employees.

And so, can you talk a little bit about changes that you have made there to adapt to this new staffing level and how you have tried to maintain the integrity and quality of the work product that you produce?

Mr. DODARO. Definitely. First of all, I have been very clear with the committees that we deal with and this subcommittee that we are going to do fewer audits. We are not going to reduce the quality of our work nor the integrity of our work products. It has been incumbent upon everyone to work together, GAO working with the committees, to set proper priorities.

As a result, the number of requests coming into GAO has tapered off more commensurate with what we are able to do at any given time. In my meetings with all the Committee Chairs and Ranking Members, I talk about the need to set priorities, to consult with us before mandates are put into law or committee or conference reports. Also we track all bills that are introduced in Congress with potential mandates for GAO. Every week Congress is here, there are plenty of those that happen.

We have also worked to repeal existing mandates that are in law that we don't think are good use of our resources or have outlived their usefulness. Last year, Congress repealed 16 of those mandates. We have identified an additional 10 or 11 that we think can be repealed as well.

So we are trying to manage the workflow better, prioritize the work as best we can to get the maximum return on Congress' highest priorities and opportunities that we think are available for cost savings and revenue enhancements. The big missing delta for me is if we had the additional people, we could pursue more opportunities for cost savings and revenue enhancements and create more recommendations for the Congress.

It is a matter of being limited by that. There are plenty of things for us to do that would result in productive use of those resources. I understand the current situation. As the auditor of the Federal Government's financial statements, I understand full well the Federal Government's financial condition.

We need to do our part, but I think we are meeting the highest priorities now. And I have made sure there is no diminution of quality of our work by reducing the workload, and working on the priorities. For me, that is important. Quality is number one for GAO, and it is important for us. Congress deserves no less, and neither do the American people.

PRIORITIES FOR GAO WORK

Senator SHAHEEN. Well, I would certainly agree that quality is the top priority. And notwithstanding the efforts to get committees to prioritize their needs, are there areas where you think we really should have done work over the last several years but were not able to because of the resource challenges?

Mr. DODARO. I think we could do more work in the area of improper payments, as an example. Right now, there is over \$100 billion a year in the latest estimates on improper payments, and that is not even a complete estimate. There are several programs, such as the Temporary Assistance for Needy Families, that are not providing estimates yet.

I am concerned about the growth in this area in healthcare. Roughly half of the \$100 billion is in Medicare and Medicaid, which are the fastest-growing programs in the Federal Government. They are expected to continue to grow at an accelerated pace as the aging of our population continues, and healthcare costs are still rising faster than the growth in our economy.

Unless those improper payments can be prevented and stopped, I expect this number potentially to increase, despite the efforts of the administration and Congress. That would be one area that I would like to dedicate more resources to as just one example.

Another example is in the tax gap. Right now, according to the latest annual estimate, based on 2006 data—IRS periodically updates that—the gap between taxes owed and taxes paid under our current system is \$385 billion. We are still only at about 84 percent compliance rate on our taxes.

We have identified a number of opportunities for IRS to get better data to do comparisons and matches and increase collections. So those are just two examples. There are many other areas where I think we could stop bad investments earlier. We do a lot of work in the weapon systems portfolios and major IT investments. I would have liked us to be involved earlier. I think we could have stopped bad investments and prevented wasted funds.

IMPLEMENTATION OF GAO RECOMMENDATIONS

Senator SHAHEEN. And when you are talking about things like improper payments, are there recommendations that GAO has made to agencies to try and address that in a way that would improve the situation, and what have been the challenges in getting those implemented?

Mr. DODARO. Yes, one of the challenges is agencies have been slow to implement some of the technology recommendations.

Particularly in the healthcare area, there is a tremendous volume of activity with small transactions in Medicare. For example, we have an open recommendation that providers, before they are enrolled and able to bill the Government, put up a surety bond. If there are problems later, the Federal Government can recoup the payments, have some money there, and they are not just left holding the bag for bad payments that have been billed to the Federal Government. That hasn't been effectively implemented yet as well.

Some of the technology tools to detect or prevent improper payments are taking too long to be put in place. The training is taking

too long. However, the agencies are working on this. The administration has made it a priority. Congress has passed several bills.

In the mid 1990s, there were no estimates of improper payments in the Federal Government until we started doing the estimates ourselves as part of the annual financial audits. Then Congress legislated the agencies to do it. This is a management challenge. There are still areas where we have recommendations that they are not doing proper statistical sampling, and so the methodologies for doing some estimates aren't good.

Most importantly, they haven't identified a lot of the root causes of the problem. That is the area where I think we could do more work. We could go in and identify some of the root causes of improper payments and try to stop that.

Also Medicaid and some of these other programs like TANF, Temporary Assistance for Needy Families, are administered at the State and local level. You have to go out and understand the State's programs to really get at some of the root causes, and we just can't do that with the resources we have right now.

Senator SHAHEEN. Senator Hoeven and I certainly understand that challenge.

Senator Hoeven.

Mr. DODARO. Yes, as former Governors, I am sure you do. It is a fast-growing problem there, too. States are struggling, as you know.

GAO BUDGET ISSUES

Senator HOEVEN. Thank you, Madam Chairman.

I will start with you, Mr. Dodaro. If you have to find savings in your budget, where would you do it? Where would you go first? If we get a 302(b) that requires us to find more savings, where would you go in your budget to try to find some savings?

Mr. DODARO. We have mined most of that activity in the past 3 years. Our budget decreased between 2010 and 2013 \$80 million, and half of that we have accomplished through bringing down our administrative costs. We have cut 20 percent. Our travel costs are down 50 percent, and we have kept both of these areas down over a period of time.

I am now looking at how to increase revenue for us by maximizing the building. We have two big assets. One is the building that we own. We have reconfigured the space, and we have brought a new tenant in, which is giving us \$2 million more in revenue for maintaining the building.

I still think there are opportunities. We are trying to save money both in the IT area and the building area, but most of those savings we are trying to plow back into new investments.

For example, in our IT program, our switches and routers are 9 years old, and our laptop computers are over 5 years old. They are at the end of their useful lives. When we give one of our laptops to new people now, I expect it to have a band-aid on it. We need to invest in computer resources for our staff.

Our building is over 60 years old. It hasn't had a major renovation for a quarter of a century. We have been replacing parts as they are breaking, and so we have additional repairs and investments to make.

So 81 percent of our costs are personnel costs. If we don't get the amount we have requested, we can try to find, and we are continuing to try to find cost savings in other administrative areas. The ultimate outcome will be less staff for GAO.

Senator HOEVEN. Right. Your employee level right now is how many?

Mr. DODARO. Last year we used 2,849 full-time equivalents.

Senator HOEVEN. And your target is 2,945.

Mr. DODARO. Twenty-nine forty-five for this year.

Senator HOEVEN. Other than possibly some IT costs, although I hear you because the IT world moves so fast.

Mr. DODARO. Right.

Senator HOEVEN. Stuff gets obsolete so quickly now. But it just means personnel, right, really?

GAO RENTAL COSTS AND RENT COLLECTED

Mr. DODARO. Yes. Eighty-one percent of the costs are salaries and benefits. Now bringing down rental costs in the field has helped. Last year, I talked about enhancing the pilot that we had for telework in our field offices. Eight of the 11 field offices are on it now.

We estimate we will save cumulatively \$2 million in rental costs. We are expanding the pilot to 3 more field offices. So all our field offices will be in the telework pilot, and then we are going to expand it to headquarters staff as well. But there, since we own the building, our goal would be to try to reconfigure it and maybe bring in an additional tenant or two.

Senator HOEVEN. Do you get credit for the rent?

Mr. DODARO. Yes.

Senator HOEVEN. Or does that just go straight to Treasury without it?

Mr. DODARO. No, it comes to us.

Senator HOEVEN. You do get it?

Mr. DODARO. You have to appropriate it. It comes in offsetting collections. Right now, we have \$9 million for 2014, \$2 million from a Department of Justice entity, and the Army Corps of Engineers headquarters is in the GAO building as well, and their rent is about \$7 million.

SAVINGS WITHIN CBO'S BUDGET

Senator HOEVEN. Then, Dr. Elmendorf, I would have the same question for you.

Dr. ELMENDORF. Well, so, Senator, our budget is more than 90 percent staff, staff costs.

Senator HOEVEN. Now you can't plagiarize somebody else's answer.

Dr. ELMENDORF. No, he is at 80 percent. So I am just noting—

Mr. DODARO. Eighty-one, Doug.

Dr. ELMENDORF [continuing]. We have even less room to do—to save money other ways. We have done a great deal of that. We have counted how many newspaper subscriptions we need. We have stopped ordering things we absolutely do not need.

But at the same time, it is crucial that we have the IT technology to process large datasets that we use in constructing cost estimates

and other analyses for you. We need to be sure that our people are receiving the training to keep their skills at the forefront of their fields and to keep them knowledgeable about what is happening in Government programs.

So our ability to save additional money outside of our staffing level, I think, has been driven down close to nothing. If we end up with less money, we will not move back up to the 235 FTEs that we are aiming for now.

CBO's PROJECTED HIRING

Senator HOEVEN. Well, you are essentially—aren't you staying level pretty much with your FTEs this year?

Dr. ELMENDORF. Well, so the amount of money that we have been appropriated this year would pay for 235 FTEs. We are now actually at about 220, and we can't fill that gap immediately because we need people with a very specialized set of skills.

We are recruiting very aggressively. We have a number of people who have accepted new positions since you provided that funding for us. But we are not going to get to 235 in the next few months. It will take a little time to get there.

So we hope to be up to 235 people in order to be at that level throughout the next fiscal year, but we are on our upward trajectory at this moment. But if you were to suggest that it was likely we wouldn't have that higher level of funding for next year, the funding to sustain those 235 people for next year, then we would scale back our recruiting again and not try to lure those people in.

You know, when we are recruiting, a lot of the recruiting that we do is for people, as I said, with very specialized skills. A number of the people we hire come out of graduate programs. So we hire them now when they are looking for jobs, but they will come to us in June or July or August or September.

So we really are now doing the hiring we would need to be at this higher level of strength throughout the next fiscal year.

Senator HOEVEN. So who do you typically hire? You know, just give me a bit of a profile. And then are you getting to your work requests in a timely way? Assess that.

Dr. ELMENDORF. So we hire about 80 percent of our staff have either master's degrees in public policy or doctorates usually in economics. And then we have some lawyers and people with other skills. But most of our people, most of our analysts have Ph.D.s or master's degrees for the most part. And we have very high standards for those people. So we don't just take the first people whose applications come in the door when we start to recruit.

Are we keeping up with the requests? No. We are keeping up with the things that are most urgent and that are most important to the Congress. But there are always unmet requests. Most of the estimates that we do are for the chairmen and ranking members of committees. We have very little time to do estimates for proposals from other members of committees.

Now that is too bad, and we feel bad that we can't serve more members more effectively. But those are just the constraints that we face. And moving from 220 up to 235, which is what we are in the process of doing now, will help that problem. But I don't want

to suggest it will solve that problem. There will still be many, too many requests that we won't be able to respond to appropriately.

PRIORITIZING REQUESTS

Senator SHAHEEN. Dr. Elmendorf, I want to pick up on that line of questioning because it goes to the question that I asked Mr. Dodaro, and as you point out, you are not able to fulfill all the requests that you get from Congress. And given the continued resource constraints that we have in Congress, it is probably not going to improve a whole lot in the immediate future.

So how do you prioritize requests, and how do you work with the various committees in Congress to try and ensure that they also are thinking about that as they put in their request to you for the work they'd like to have done?

Dr. ELMENDORF. So we are talking on an ongoing basis with the leadership of the committees, both majority and minority, and with the leadership of the Senate and, of course, also in parallel form on the House side. We respond—our focus is on the legislation that is moving through committees or moving to the floor of the Senate or the House.

I think the risk is primarily that we won't do enough of the underlying model building and analysis that we need to be able to respond to future requests. So a pretty large fraction of all the congressional testimonies that we have done this year have come to us with very short notice, but been based on reports that we wrote last year.

For example, we have written a set of reports about different Federal benefit programs. We have written about the SNAP, food stamps. We have written about Social Security Disability Insurance. We have written about Pell grants and others. But there are other reports—other important benefit programs that we have not been able to write.

We have not been able to go through and help you and your colleagues understand the sources of growth in those programs and your options for dealing with them as much we would like to. So I worry that we will get to next year, and you will ask quite legitimately what can we do about a certain program, and I will be forced to say, "Well, I am sorry, that wasn't at the top of the list. We haven't gotten to it yet."

This is especially true in some of the very complicated analytical work we do on healthcare and in the Government's financial obligations. As I said, we are using more large datasets to understand what is happening in the healthcare system, partly in terms of people's demand for healthcare through health insurance, but also in how providers are responding, how their behavior is changing.

And that is model-building work we need to keep doing to be ready to give you accurate estimates of the legislation that will come before us in 6 months and 12 months and 18 months and 2 years from now.

ANALYTICAL MODELS

Senator SHAHEEN. And so, you are working on those models now in anticipation of what may come up in the future with healthcare, the economy. Are there other models that you are looking at?

Dr. ELMENDORF. Yes, so we use different models for different purposes. We have models in healthcare. We have also spent a lot of time in the last few years, particularly when we had this higher level of staffing a few years ago, in improving our modeling of how the Federal taxes and Federal spending affect the economy, both in the short term during this very weak recovery we are going through, but also later in this decade and beyond.

And again, it is very technical work, but with enough people, we can give you a much better sense of how the policy choices you are making will effect economic growth and jobs and opportunity for people down the road.

Senator SHAHEEN. Do you have modeling in the energy area?

Dr. ELMENDORF. We do modeling of most of the topics that the Congress considers, of course. If there are budgetary implications or significant economic implications, we are doing modeling in the area.

So we work on alternative energy policies. We are doing work right now on the effects of fracking on the economy. That is a crucial input to our projections of economic growth and, thus, the projections of what Federal revenues will be.

And we have done some work, but that work has not proceeded—like many of these things, has not proceeded as rapidly as it would have if we had more staff. And I hope that with the extra staffing that you have provided for this year, we can move along more quickly.

SCORING ENERGY SAVINGS PERFORMANCE CONTRACTS

Senator SHAHEEN. Well, one area that I have been very interested in and worked on when I was in the Governor's office was the benefits of energy savings performance contracts, also referred to as ESPCs. As long as we are in a committee hearing, we want to make sure we get all the acronyms in.

What I have found challenging is trying to figure out how CBO scores those ESPCs and why in some cases it is okay to actually build in the cost savings from those and why in other cases it is not, and how we can make better use of those contracts, which I think are very real ways to save taxpayer dollars.

So can you talk a little bit about the scoring of those performance contracts and how it can be improved?

Dr. ELMENDORF. Yes, I can. So we understand, Madam Chair, why you and many other Members of Congress think that this tool can be an important way to cut Federal energy costs. I think from the point of view of our estimates, there are two issues that often come into play.

One is that when a contract of this sort is signed, that creates a commitment for the Federal Government to make future payments, and it is a longstanding part of our estimating process to assess a cost when the decision is made, when the commitment is made. So the cost of those contracts we would generally assess as occurring now.

The savings would be realized later essentially because Congress would be able to appropriate less money to a certain agency for energy costs and still have the buildings heated or cooled as well and still have the other activities take place. But because those appro-

priations actions are not being taken right away, they are kept track of separately in the budget process.

This is not like a particular rule of CBO's. This is a longstanding part of how the budget committees work and interact with the other committees in Congress.

I think a second issue that comes up is that, as you know, the savings can come over longer periods of time. The Department of Energy estimated a few years ago that the average payoff time for contracts of this general sort was 17 years. So there can be some savings during that time and more savings later, and our estimates don't always go out as far as might be useful to capture those savings.

So these are not—you raised the concern that we do different things in different circumstances. I would emphasize that we have really a quite consistent set of principles that we follow. But depending on how legislation is written, there can be different budgetary consequences, and we are very happy to work with you and your staff at trying to help explain why we are doing what we are doing and to help you look for ways to design legislation that would have more—that would show more directly the budgetary effects you have in mind.

Senator SHAHEEN. Well, my time is up. I want to pursue this a little more because I still think the underlying concern is how do we realize those savings in a way that makes sense for us in Federal agencies and yet doesn't violate the budget rules. So maybe we need to change the budget rules. But anyway, we can pursue that a little bit.

Senator Hoeven.

ECONOMIC PROJECTIONS ON HYDRAULIC FRACTURING

Senator HOEVEN. Thanks, Madam Chairman.

You say you are doing some work on hydraulic fracturing on the value to the country? Is that right?

Dr. ELMENDORF. Yes. So our economic projections for the next decade and beyond need to take onboard developments that are happening in the economy. This is obviously a very important development in the last few years, and we are trying to be sure that our projections are taking it fully into account.

So we have done some work in this area. We have talked with outside experts, and we hope to—and we will use that to inform our future economic projections. But we will also, when we finish this, which I hope will be soon, lay this out for you and your colleagues so you can see our view.

Senator HOEVEN. Well, we will have to get you up to North Dakota. Then we can show you hydraulic fracturing.

Dr. ELMENDORF. I would love to come to your State, Senator.

TRAINING OF ANALYSTS

Senator HOEVEN. Field trip. I am glad you are working on it.

Just to finish up on the line of questioning, the trail I was going down before we stopped here just a minute ago. So you hire folks then, and you said mostly public policy master's degree. And then—

Dr. ELMENDORF. Or Ph.D.s in economics.

Senator HOEVEN. Or Ph.D. Okay. So I was going to ask that. And then do you have a training program? In other words, how do you then indoctrinate them into your methodology and your modeling and so forth?

Dr. ELMENDORF. So we take the hiring and training of people very seriously. We understand that what makes CBO is the skills of the people who are there.

So when we look to hire people, we spread the word very wide that we are looking so we get the strongest possible pool of applicants.

Senator HOEVEN. And do you get a strong applicant pool for your—

Dr. ELMENDORF. We get a strong applicant pool. We are very choosy in that pool. We read people's resumes, of course. We have them in, and we ask them a lot of hard questions for a number of hours. We talk with people who have worked with them, their advisers in graduate school or colleagues for people who are coming from other jobs.

And then we bring in the ones who we think can do what we need them to do. And if we can't find somebody right away who meets our standards, then we don't hire them. We wait until we can strengthen the pool in some way, and then we hire them. So it is just a nonnegotiable part of this to hire people who are above some pretty high standard.

But then that is not the end of their education. They have a lot usually to learn, and they do this in various ways at CBO. We do a lot of mentoring of younger analysts from older, more experienced analysts, people who have been at CBO for a while and seen the work that we do.

We have a lot of oversight of the estimates and reports that we write. You don't see numbers that have not been looked at by a number of people at CBO, and through that process, our analysts learn to check their own assumptions, to make sure they are talking with the right outside people.

Of course, we talk with a lot of people around the Government and in the private sector when we are constructing estimates. Our analysts need to learn how to do that effectively, how to get the information without falling for some particular line that somebody might be trying to push on us.

We send people for formal training in statistical techniques, in writing to make sure that our presentations are clear. And we send them to conferences and seminars so they can understand what people, other people in their fields are thinking, what the latest ideas are.

Senator HOEVEN. So is there a primary way of learning the methodology and the modeling by working with the mentors?

Dr. ELMENDORF. Primarily learning as they are working, yes. I mean, again, as people come with 4 years of college and usually 2 or 4 or more years of graduate school beyond that. But then, as you say, there is a tremendous amount they need to learn about how to apply that education to our specific tasks, and people learn that through working with more experienced people.

Senator HOEVEN. Right. Because you probably haven't had somebody who has spent years out in the oil patch doing hydraulic fracturing, right? Or developing the process or——

Dr. ELMENDORF. That is right.

Senator HOEVEN [continuing]. By running an oil company that generates that revenue. But they are going to create a model or a methodology that is going to determine the value, which is going to affect not only the laws that may go directly to the energy world, but even to the underlying financial underpinnings of what we are doing from a budgetary standpoint.

So that is what I am asking. So they get that mentoring and training and specialized knowledge to develop that modeling and come up with a number how? From mentoring primarily?

Dr. ELMENDORF. So the techniques, the modeling techniques, to the extent they have not learned them in graduate school, they learn them through—mostly through on-the-job training with more experienced analysts. But for any given question, I mean, our experienced analysts also have not worked in oil fields. So for any given question, we reach out very frequently to outside experts with a range of views. So, and that is across the topics we work on.

Senator HOEVEN. And that means—excuse me. And that means not just going to the agency involved, but actually——

Dr. ELMENDORF. Right.

Senator HOEVEN [continuing]. Going outside to the “real world” or the people that are doing this in private enterprise and talking to those experts, right?

Dr. ELMENDORF. Yes.

Senator HOEVEN. And I am just using hydraulic fracturing as an example, albeit one I am very interested in. There are many others, you know, where you are dealing with something very specialized.

Dr. ELMENDORF. Yes. That is absolutely right. So we do this——

Senator HOEVEN. You don't just go back to the agency and say, “Hey, you tell us kind of how life is.” You go beyond that?

Dr. ELMENDORF. No, as I said, we talk to people running Government programs, and we also talk quite a bit to people in the private sector. So it depends on the issue at hand.

When we are trying to understand what is happening in Medicaid, for example, we talk to people who are participating and running the Medicaid program, but we also talk to State Medicaid directors. When it comes to work on hydraulic fracturing, we are talking to people who are analyzing, analysts in that area, and also people who are participants in that work.

And that is true across from our work in defense to agriculture to water resources to energy to the environment to tax policy, across the board.

Senator HOEVEN. Thank you. And again, I am just using that as an example. I think it is so important you go beyond just the agency you are working with in terms of just, well, what does the agency think?

Good. I understand you have to do that and get that. But I really think it is important to go beyond that.

Dr. ELMENDORF. Yes. We do, too, Senator.

Senator HOEVEN. And I would come to Mr. Dodaro. Same thing. And I know I am running tight on time, but I am going to ask

some indulgence from our chairman because I do have to leave after this question. So if I could go for just a couple of minutes? Because I want to go really down the same line.

And the question actually that I was going to combine with it is so if you had some more resources, what would you do? I am thinking, Dr. Elmendorf, you are saying probably more people and salary. Roughly correct?

Dr. ELMENDORF. Yes. That is right.

GAO'S HIRING PROGRAM

Senator HOEVEN. Okay. So same thing, hiring people, how do you train them up? And I know that you go beyond the agency because of the way you do things, but where would you put some additional resources if you had them?

Mr. DODARO. Sure. First, we are a very multidisciplinary organization. We hire not only people that have public policy degrees, but also accountants for financial auditing. We hire economists, as well as people in science and technology areas, both information technology and the physical sciences. We are trying to hire a couple more actuaries right now.

We also hire subject area experts in healthcare and defense, et cetera. We have a wide range of technical disciplines and subject areas. Like CBO, most of our people have master's degrees or doctorate degrees in those areas.

We also have a very robust or at least we did—we are trying to reinstitute it now—internship program, where we bring people in from colleges and universities. In fact, that is how we get about half of our new hires for the entry-level program. They come in as interns. They will work on audits, and we see how they do. They get a chance to know our methods and get some experience, and then we can make offers to them for permanent positions.

We also hire at all levels. We hire people at mid level and upper level from the private sector or other agencies with specialized experience.

If we had additional resources, there are several things I would do. Number one, we need to continue to replace our entry-level program. Even though this year we are going to increase it, we normally have in years past about 400 people in this program.

It is a structured 2-year training program. They get classroom training and on-the-job training. We move them around to different areas within GAO's work so they get a breadth of experience. We place them in one of our mission teams after the 2-year program, if they graduate from the program successfully.

Right now, our pipeline of people entering GAO through this program has been depleted. Last year, I mentioned I felt like a college football coach where all the seniors were graduating, and there were no freshmen and sophomores coming in. But now, thanks to your support, in 2014, we will be continuing our entry level hiring. But we won't be at the level we need to be.

Our age profile and demographics are just like the rest of the country in that we are going to have a lot of people retire. A third of our senior executives are able to retire right now and 21 percent of our senior managers. So we need to replenish the pipeline going forward.

Our biggest value to the Congress is deep institutional knowledge and experience in these programs. We need to bring these people in, give them the training, and move up in the critical skill areas.

SCIENCE AND TECHNOLOGY CAPACITY

The other area that I would put more resources in is a new center that we have developed for science and technology issues. I believe this is the next big evolution of what GAO needs to build its capacity in. We are getting asked now to look at satellite programs, space programs. Weapon systems are becoming more sophisticated.

For the energy issues and the environmental issues, we need people who understand science and technology. You know, not to do basic research, but to understand, for example as you are saying, in the hydraulic fracturing area, you want to bring people in who actually have experience in the field doing these things. That is what we have been doing and hope to expand in the science and technology area.

We have just held a forum on nanomanufacturing technology. I want to hold one on additive technologies, which hold tremendous potential for producing spare parts for DOD, rather than to buy spare parts and store them and incur the cost of that.

So there are a lot of developments in science and technology that I think are very important for us to be able to advise the Congress. This is really important, because the Congress used to have an Office of Technology Assessment. That office hasn't been funded since the mid 1990s.

Congress has increasingly turned to us to do technology assessments, which we have developed the capability to do. Those would be the areas: replenish our entry-level pipeline for succession planning purposes as well as target investments in science and technology. We would be in much stronger position to continue to support the Congress now and in the future.

We just developed our strategic plan for serving the Congress from 2014 to 2019, and we identified all these areas and trends, including science and technology, national security issues and others. Then, after vetting that with the Congress and the committees, we use that to shape our workforce for the future, and to make sure we have the right talent to deliver those type of assessments.

Senator HOEVEN. Again, my thanks to both of you for what you do. Appreciate it very much.

Dr. ELMENDORF. Thank you, Senator.

Mr. DODARO. Thank you, Senator.

Senator SHAHEEN. Thank you very much, Senator Hoeven.

Mr. Dodaro, you will be interested to know I just visited a company in New Hampshire, where they are refurbishing a radar system from a ship for DOD to put back on a new installation. So it is impressive to see that going on already.

ENERGY EFFICIENCY IN THE GAO BUILDING

Senator Coons.

Senator COONS. Thank you, Chair Shaheen.

And let me, if I might, just follow up on some of the areas of investment you have laid out, Comptroller General Dodaro. In the

GAO facilities, if I understand correctly, one of your areas of concern is energy efficiency.

Mr. DODARO. Right.

Senator COONS. Have you considered an ESPC as one of the vehicles that in the private sector and public sector has been shown to be a cost-effective and predictable way to achieve savings and energy efficiency?

Mr. DODARO. You mean for the GAO building itself?

Senator COONS. Correct.

Mr. DODARO. I know we have consulted with outside contractors. I will have to give you the details for the record, Senator. I am confident that our people are looking at technology to achieve energy efficiency.

[NOTE: See in the "Additional Committee Questions" at the end of the hearing for the Government Accountability Offices's response to Senator Coon's question above.]

One of the things we do in GAO is we are looking at the rest of the Federal Government and doing research in the private sector. Whatever best practices we find in our audit, we plow them back into our internal management areas. So I am——

ENERGY EFFICIENCY

Senator COONS. Well, I suspect you will find that one of the highest rate of return investments you can make will over the short run and the long run be investments in energy efficiency. Senator Shaheen earlier highlighted a concern that I also share. When I was in the private sector, and this is now nearly 20 years ago, as in-house counsel for a manufacturing company, we used an energy performance contract to significantly save on our operating costs.

And then when I was a county executive in county government, we also—we were trying to balance a capital and an operating budget, and we found ways that we were able to significantly reduce our capital investment by financing it off of future savings, which were legal obligations under the contract.

The broader point I am trying to make is that there are billions of dollars in identified savings in energy efficiency in Federal buildings, billions, that are not being achieved because of how it is scored. And so, some of the frustration or concern that you have heard from myself and from Senator Shaheen, and I think there were 28 Senators who actually signed a bipartisan letter to the President, urging that these vehicles, ESPCs, be used by the executive branch.

There is a little frustration because it, frankly, puts Americans to work. Typically, energy efficiency projects employ local contractors and servicemen. Typically uses American technology and is often some of the easiest ways to save operating dollars.

I understand, Director Elmendorf, your explanation that it is dependent on future appropriations for there to be the spending on energy against which you will be making savings. But I would be grateful if we could figure out a path forward where perhaps there is some way, short of amending the budget laws. But there has got to be some way to take advantage of these tools that are so widely used in the private sector and public sector, everywhere but the

Federal Government, to achieve positive outcomes in terms of employment and savings.

Dr. ELMENDORF. So, Senator, we are happy to talk with you and your staff about why we do what we do now and whether there are ways that we can be more helpful to the Congress. As I mentioned earlier, there is the issue, as you noted, of the future appropriations being the place where the savings actually occur.

The other issue I mentioned earlier is that a number—a lot of these savings tend to happen over long time horizons, and our estimates tend not to go out maybe as far as would be useful to show that. But we are happy to work with you.

We are not trying, obviously, to stand in the way of effective management of the Government's resources. And if we think that there is information we can provide that would be more helpful to you and your colleagues, then we can work to do that.

10-YEAR BUDGET WINDOW

Senator COONS. Across a dozen projects that I was directly involved in managing, we prioritized those investments that had a payback timeline less than 10 years. There are some that go out 17 or 20 or more, but you know, typically, in any Federal building, any other than the most recently built and any other than the most modern, you have got some investments that have a payoff timeline of 3 to 7 years. That is, frankly, where the sweet spot is in most energy efficiency investments.

But that leads to another question that I think is of some value for all of us. We typically look at a 10-year budget window. We look to you for analysis that is very helpful as we make decisions, but there are some pernicious consequences to having a 10-year window, and you can sometimes see, as we are looking at offsets and so forth, you ask a question, well, why this? Well, because it really hits in years 11, 12, 13, 14. You know, we are trying to strike balances here.

In the immigration bill, there was a second 10-year window added in terms of the scoring, and a lot of the decisions we are considering here have a time horizon of fiscal impact that significantly accelerates in the second and third decade. What sort of opportunities and challenges would there be, in your view, in terms of our being able to make fiscally sound decisions if we had optional second and third decade scoring windows?

Understandably, the accuracy with which you can make predictions on rate of growth of healthcare costs or rate of growth in the economy gets weaker and weaker as you go out, and you don't want to put out projections that you know are unlikely to be sound. But what would be the benefits and what would be the risks of having second and third decade projections?

Dr. ELMENDORF. So, Senator, I think you summarized them as well or better than I can. The advantage of looking out over longer periods is to give you and your colleagues a clearer sense about what policy will do over time. And immigration was an example where the way the bill was structured and the time lag for various things to happen, the effects in the second decade of the Senate-passed immigration bill were very different from the effects in the first decade.

And so, I think that was an appropriate case for us to look further out. But the costs, I guess there were two. One is it is simply more time consuming and more complicated. But secondly and I think most importantly, as you say, the crystal ball that we use gets awfully hazy as you look out further.

Even over 5 years or 10 years, our estimates have a great deal of uncertainty in most cases. And we don't want—as you said, we don't want to just give you numbers because we can add rows to the spreadsheet. We want to stop at the point where we think we don't have more real information to give you.

But there is nothing magic about 10 in that sense, and there are some cases like immigration, like the healthcare legislation in 2010 where we did look out to a second decade. So I don't view this as a religious matter that we can only talk about 10 years, and if there are particular other cases where you and your colleagues think it would be more useful for us to look out further, we can try to do that.

But it is important that everybody understand how the uncertainty mounts because it is really substantial enough in the first decade for the estimates that we do and can be much more uncertain as you look further into the future.

Senator COONS. Well, thank you. I appreciate your answers, and while I have other questions, I am going to defer to my friend, the Senator from Arkansas.

Senator SHAHEEN. Senator Boozman.

SKEWED FINDINGS UNDER CURRENT LAWS

Senator BOOZMAN. Thank you, Madam Chair.

And we do appreciate both of you all and your hard work.

Dr. Elmendorf, Senator Coons and Senator Hoeven had questions about methodology, whether it was energy or whatever. Are there areas that under present law—and I say this in an effort to try and be helpful. Are there areas under current law that make it such that the law is such that it does skew your findings?

Dr. ELMENDORF. I don't think our—I don't know of cases where our findings are skewed, Senator. What I would say instead is that we don't—if we had more time and more people and could do more analysis, we would give you more accurate estimates. We would be able to keep track of more different repercussions of legislation that you are considering.

If we think there is a reason we are going to not be in the middle of the distribution, that is crucial for us to try to correct as best we can. I am more worried about all the various ways in which legislation can matter in the world that we just can't keep track of.

Senator BOOZMAN. So it is not a methodology problem then that we make you do. It is just that sometimes you don't have the resources to or the knowledge perhaps and personnel in certain areas—

Dr. ELMENDORF. I think that is right, Senator. I mean, there are—as you know, there are conventions of our estimates. For example, longstanding convention to keep track separately of mandatory spending, mostly of benefit programs, and of discretionary spending, which is appropriated every year. But that distinction comes from a fundamental difference in how the Congress works.

Some programs are set in place for longer periods of time, and some things you vote on each year. So that is not—and our conventions are not created by us. They are created really by the budget committees many, many years ago to try to meet the way the—to help us line up with the way the Congress is making these decisions.

And I think where there are particular cases where we think that some convention might be misleading, then we try to step outside that. So the immigration legislation was an example of that, and some of our healthcare work has been an example of that.

So although we focus on 10 years, if we think there is some clear reason to expect that the second decade might have rather different effects because of the way a law would be unfolding, then we will try to give you information about that second decade. It is usually explicitly a rougher approximation.

Senator BOOZMAN. Sure.

Dr. ELMENDORF. But we try to do that. So we try to make sure we are giving you real information and not being—not just being hung up on particular rules.

Senator BOOZMAN. When you have major changes by executive order, like the ability to keep your plan or delaying implementation, do you score that? I mean, does that become part of the baseline then going forward?

Dr. ELMENDORF. It becomes part of our baseline going forward. We don't generally produce separate estimates of administrative actions. There are many, many of them. And our way we use them and our focus is on estimating the effects of legislation that you and your colleagues are considering.

But every time we produce a new baseline, that will take on-board all of the administrative actions to date. And in fact, when the administration—

Senator BOOZMAN. So that is factored in then as you make predictions?

Dr. ELMENDORF. That is right. That is right. And in fact, when the administration makes an action, that immediately will affect our scoring of—if it is a formal change, that immediately affects our scoring of legislation. So the recent decision by the administration to put forward this proposal for changing the way Medicare Part D works in some ways, and then their decision more recently to not make those changes—

Senator BOOZMAN. Right.

Dr. ELMENDORF [continuing]. That affects our estimate of legislation that I think the House was taking up today, an estimate we provided last night.

IMPLEMENTATION OF GAO RECOMMENDATIONS

Senator BOOZMAN. Good. That is good to know.

Mr. Dodaro, you all do a lot of great work in coming up with recommended actions to help us save money and make agencies more efficient. What are some of the obstacles, and how can we help as far as actually getting those very valuable recommendations, valuable in every sense of the word.

How can we help you in actually getting some of those things? A lot of them are done, but how can we be helpful in getting implementation?

Mr. DODARO. Well, first of all, on average, about 80 percent of our recommendations are adopted by the executive branch or by the Congress in law. So I think the most important thing is providing venues in the Congress for oversight and allowing us to come forward in areas where the executive branch in particular hasn't voluntarily agreed to implement the recommendation, and then to elevate that to a matter for congressional consideration.

We have done that in these annual reports we now do on overlap and duplication in the Federal Government. We have made 389 specific recommendations over the first 3 years. We are getting ready to issue our fourth report. About 323 of those recommendations have gone to the executive branch, but about 66 have gone to Congress.

Congress so far has acted upon about 15 percent of those recommendations. So I keep mentioning it to the committees, and we have a public scorecard we keep for overlap and duplication. The extent to which you can provide additional support for the open recommendations that haven't been acted upon yet, that would be very helpful.

And of course, you know, providing necessary funding for us to keep replenishing those recommendations. We try to have—usually, we have about 1,500, in some cases maybe 2,000 new recommendations every year.

PRIORITIZATION OF GAO WORK

Senator BOOZMAN. How do you determine the time sensitive? What is your mechanism for deciding how to go forward with time-sensitive requests?

Mr. DODARO. Well, we will—

Senator BOOZMAN. There is what we perceive as time sensitive and what you perceive is different. I guess, that is—

Mr. DODARO. One way is to have good communication with the committees on which are their most important priorities. We try to get at this several ways. One is by planning ahead. I mentioned earlier we have a strategic plan for work we are going to do from 2014 to 2019 that we just issued last month. That was based upon consultation with the committees.

We try to start that work that is time sensitive as best as committee people can tell. That way we are ready when the Congress is ready to take up reauthorizations or to take up specific issues.

Secondly, if a request from Congress comes in that is new that wasn't anticipated, we will talk to the committees about reprioritizing the work we are already doing for them. In some cases, we will stop some of the work and begin other work. In other cases, depending upon the issue, we may have already done a lot of work. So we will be able to meet time-sensitive requests that way.

And lastly, I would say we can phase the work that we are doing to meet the most time-sensitive needs as the work proceeds and keeping people well informed in briefings. So we are very sensitive to that.

Senator BOOZMAN. Thank you. Thank you, Madam Chair.

Senator SHAHEEN. Thank you.

Senator Coons has to leave for another meeting. So I am going to turn it over to him for a final question before I go back to asking a series of questions that I have.

Senator.

DEBT-FINANCED INVESTMENTS AND OPERATING BUDGETS

Senator COONS. Thank you very much, Madam Chair. I appreciate your graciousness and your leadership of this subcommittee.

And I will just for the record, the bipartisan letter I referenced from more than 20 Senators, it was Senator Boozman who was the co-leader, which I should have recognized before. There is broad interest here on ESPCs and scoring and how to make them apply.

Now many of us have prior service in the State or county government, and we are used to having a capital and an operating budget. We are used to having debt-financed investments in things that lasted for long periods of time and operating budgets that balanced.

What are the reasons, what are the barriers to moving in that direction for the Federal budget? I think any of us, as new legislators here, are puzzled by the complexities of explaining to folks having the capital and the operating intertwined.

And frankly, our deficits are so significant, it is much easier to articulate to the general public why we are borrowing money overseas or why we are borrowing money in the bond markets to build a library or a sewer system or facilities that will last for 20 years. It is much harder to explain to anyone why we are borrowing at a record clip simply to fund the ongoing operations of Government.

Dr. ELMENDORF. So, Senator, I understand that point. I have trouble explaining that myself to people. I think the—and this is not an issue in which CBO has an official position. We don't make recommendations about this.

I think people who have considered capital budgets before, people who have been opposed to the Federal Government moving in that direction have mentioned a number of issues. One is the difficulty of defining what constitutes a capital expenditure and what isn't.

So some things are pretty clear. If you build a bridge, that seemed like a piece of capital. If you invest in somebody's education through Pell grants, for example, does that count as investment or not?

And one can tell a story in economic terms about that is an investment in what economists call "human capital," and one can tell the story in which that is not investment. But the Congress would need to decide, and it would need to then presumably enforce efforts to take things that are not, in some people's judgment, capital investments and have them be called capital investments in order for them to receive a different budgetary treatment.

I think a second issue that people have raised is concerns about the transparency of the Federal budget. Almost all of the Federal budget operates on a cash basis, and that is not the way most entities would keep track of some of those flows, but it has the virtue of being comparatively transparent. Money that comes in counts as revenues or, in some cases, collections of other sorts. And the money goes out as spending.

And the exceptions to this cash treatment are quite limited primarily in Federal credit programs, where there is a more complicated accounting. So I think some people have worried about making the Federal budget more of a black box if there were more different budget categories.

I am not suggesting that those are—those are the winning arguments necessarily, but those are some of the arguments that have been raised in the past for why moving to a capital budget would not be a good idea, despite the advantages that you have mentioned.

Senator COONS. Well, thank you.

If there has been a GAO study on the subject in the past, I would certainly welcome it. I am grateful for your work in identifying high-risk and high-reward areas and look forward to working with you on that and to working on manufacturing and on areas where we could reduce duplication manufacturing.

And Madam Chair, again I want to thank you for accommodating my request. Thank you.

Senator SHAHEEN. Thank you very much.

Dr. Elmendorf, I think there are a lot of people who might disagree with the idea that the Federal budget is transparent. But I understand the point you are making, and I am not engaging here—

Dr. ELMENDORF. On relative terms, Madam Chair.

Senator SHAHEEN. Yes, I don't want to be argumentative.

GAO'S COORDINATION WITH INSPECTOR GENERAL

Mr. Dodaro, the Congress has tasked GAO with producing a bi-annual report on Federal agencies and programs that are most vulnerable to fraud, waste, abuse, and mismanagement and also known as the "high-risk list." And one of those agencies that has been regularly on that high-risk list is DOD's contract management programs.

I have to say I had the benefit of chairing a subcommittee last week in the Armed Services Committee on readiness, where we had someone from GAO talking about the IT dashboard, and the benefits that it provides. Can you talk about how you view that high-risk list and the intersection of that and work that the special inspectors general are doing or have done in Iraq and now in Afghanistan? And how they overlap or if they overlap, and what kind of benefits there are from your perspective in the work that goes on by the special inspectors general?

Mr. DODARO. Yes. First of all, I place a high priority on making sure we are coordinating our work with all the inspector generals, including the special inspector generals. In fact, last week, I hosted our annual coordination meeting that we have, and over 50 of the IGs were there. And we talked about common challenges and other issues.

We coordinate all our work with them. I mean, both in a work planning standpoint and before we start each engagement.

Senator SHAHEEN. Can I just ask you to—

Mr. DODARO. Sure. Yes.

Senator SHAHEEN [continuing]. Expand on that a little bit? When you say you coordinate your work with them, do you meet regu-

larly? Do you share information on a regular basis? How do you do that coordination?

Mr. DODARO. Yes. Well, each of our teams that has responsibility for our relationship with individual departments and agencies meets with the inspector general offices on a regular basis. Some of them do it annually. Some of them do it quarterly.

Also when we start each engagement, we make sure when we get a request from the Congress, that we have checked with the IGs to make sure they are not already doing something or plan to do something. If so, then we have a dialogue with the committees about that issue.

That is the type of regular coordination that goes on all the time, both from a planning standpoint of a work plan for the next year and also on an engagement-by-engagement basis as we get requests from the Congress and start our work.

The big difference between GAO and the Inspectors General at large, but also particularly the special IGs, is they have a greater proportion of their work on investigations and criminal investigations. We have a very small investigative operation that covers the entire Federal Government. They have thousands of people that do that. We have fewer than 20 investigators.

We do more program audits, and more of our work now covers multiple agencies at the same time, where we are looking Governmentwide or we may be looking at the relationship between DOD programs and State Department/USAID programs, for example. Therefore we have more of a cross-cutting nature in most of the work that we do, although we do work in individual departments and agencies, too, and our skill sets are a little broader than the IGs. As I mentioned, the multidisciplinary workforce that we have, most of the inspectors general don't have anywhere near the range of disciplines and expertise that we have across the breadth of what the Federal Government does.

CHALLENGES TO IMPLEMENTING GAO RECOMMENDATIONS

Senator SHAHEEN. You make recommendations for more efficient and effective operation of Government, and short of congressional oversight to pick up on those recommendations, there isn't any real opportunity to go back to those agencies and say, "Okay, GAO made these 20 recommendations, and they have adopted 3 of them. Who is doing the other 17, and why haven't they been done?"

Mr. DODARO. Right. Sometimes I notice a pattern, for example, as we did at the Veterans Administration, where they actually agreed with a lot of the recommendations, but they weren't implementing them as fast we thought they should.

I met with Secretary Shinseki, and we talked about that, and we put in place a dialogue between our two agencies. I do outreach with the committee chairs and ranking members. I also do outreach with the top leadership in the executive departments and the agencies and try to encourage them to implement some of those recommendations.

That is another avenue that I use. Really, the Congress is the most important part of it because of the continuity, particularly in the appropriations process, to get some things in place that will get

the agency's attention. And so, we share our open recommendations as much as we can with the committees.

But if they are not going to voluntarily implement our recommendations, and they are not going to take congressional direction through the appropriations and oversight committees, you have really run out of tools at that point. I try to convince them as much as we can with the power of our work.

Senator SHAHEEN. Sure.

Mr. DODARO. Having the Congress' support behind our work is really the difference. There is no compulsory requirement that agencies implement our recommendations. They do have to provide Congress with regular reports on what they are doing, and we follow up on all the recommendations.

That is why, for this work we are doing annually now on overlap and duplication, we have a public Web site that tracks the status of all the recommendations so that the public has a view, as well as having that information available to the Congress.

DOD AND VA'S NEW INTEGRATED HEALTH RECORDS SYSTEM

Senator SHAHEEN. It is interesting that you mention DOD and the VA because that is one area where, obviously, there have been a number of issues that have been raised, and the fact that both the VA and DOD are now scheduled to deploy a new system to deal with their integrated records, health records is an example of where we have not done a very good job in the Government. And it has led to a lot of concerns in the public with veterans with backlog.

Given that this is one area that you have been working on, do you feel like they are back on track at this point to address the goal of trying to make sure they have got an integrated health record system between DOD and the VA?

Dr. DODARO. We have real doubt about that. We just issued a report basically saying that DOD and VA haven't provided enough of a business case to say that this new direction that they are going in is going to be better than the integrated approach they were pursuing previously.

So we have been tracking this for a number of years. I know it is very frustrating. It has been frustrating to us as well as the Congress. I do think they need to provide better justification for the approaches that they are taking. We have been very explicit in questioning whether they have the business case to justify how they are going to pursue separate efforts and still have them interoperable at the time.

The track record here is not very good.

Senator SHAHEEN. Thank you.

Senator BOOZMAN.

REQUIREMENTS BY STATUTE

Senator BOOZMAN. Thank you, Madam Chair.

Dr. Elmendorf, I know you all have a lot of things that you have to update by statute, a lot of requests. Is there the opportunity that perhaps we could help by—help reduce your workload by sunseting some of this stuff that we all agree has just been there

forever and it has always been done, but really isn't either of use anymore or simply not being utilized?

Dr. ELMENDORF. So, Senator, I think we have been in some cases in that situation, but the Congress actually did relieve some of that burden. There were reports that we were doing on the effects of the Recovery Act of 2009 and on the effects of the TARP. The Congress reduced the frequency, really cut back a lot on what we had to do. So that was very useful for us.

Senator BOOZMAN. And that is big stuff. Have you got a lot of little stuff in that regard, or is that really not much of a factor?

Dr. ELMENDORF. No, that isn't that much of a factor. The number of things that are required of us by statute are actually fairly limited. The challenge for us is simply that you and your colleagues have a whole range of very interesting and complicated ideas for legislation that we need to run fast to try to keep up with or not fall even further behind of.

But it is not so much the things that are in law. It is just the range of interests and the complexity of a lot of the analysis of the proposals that you and your colleagues are bringing to us.

WORKLOAD BALANCE

Senator BOOZMAN. How do you balance your workload? I know towards the end of the year this year we have got an election, and then at some point, it might be right before the election, maybe after the election, that we put together lots of budgeting aspects and stuff, which is really going to be a very, very busy time for you.

Is there a mechanism that you have of kind of looking forward? Do you try and—what do you do, I guess, is what I am saying. It is kind of like the storm that is going to come in for you all. You know it is going to come. There is various times of the year.

Dr. ELMENDORF. Right.

Senator BOOZMAN. What do you do to put in place to try and alleviate that?

Dr. ELMENDORF. Well, we sit down with the managers at the CBO in each area once a quarter to review systematically all the projects that are under way in that area and to make sure that they are the highest priority projects and that we are making sufficient progress on them to be ready for whatever we view as the next storm in some area. And that can come because particular programs are due for reauthorization, because the fiscal year is ending and new appropriations will be made, because a new Congress is coming in. So we are very sensitive to all of those things.

On an ongoing basis, I mean literally every week, we are in touch with leadership in the Senate and the House and with the leadership of the key committees to be sure that we are doing the things that are right now—they are necessary right now.

But then we also take pains to be sure we are building the tools that we will need, doing analysis we will need for you all at the end of the year or next year or after that. And it is very important for us to devote significant energy to that so that we are ready.

And I mentioned at some point earlier that a fair number of the testimonies that we have done to Congress this year have been—have come on very short notice, but we had done the work previously. We had written the report we could then draw on when it

was needed by Congress, and it is our job to be in close enough touch with the committees and leadership to know not just where you are going this month and next month, but later this year and next year.

Having said that, there is only so much we can do. We can build the analytic tools to be ready. But nonetheless, when the storm comes and there are many proposals to be looked at—at once, we need to do that work then. And my colleagues are extremely committed to serving the Congress as best we can, and we work very hard all the time, and we work whatever hours are needed when the Congress needs us to deal with legislation that it has to push through.

FEDERAL IT PROJECTS

Senator BOOZMAN. Mr. Dodaro, why is IT such a challenge for the Government?

Mr. DODARO. Well, there are a couple factors. One is that the agencies have great difficulty defining the requirements that they want. The requirements are always changing, which creates a lot of problems. We have identified that whether we are talking about weapon system or information system, the requirement-setting process is continually changing, and that creates difficulty.

Second, there are not well-disciplined best practices put in place on a routine basis. One way to make better decisions on a regular basis is to use modular development, where agencies are learning and developing the projects over a long time, as opposed to trying to design a big system. There is an endgame, including interim projects and demonstrations of functionality throughout project development.

This is particularly true in weapon systems. New technologies aren't mature enough to be ready to put into production and deployment, and we have sort of raised our hand and said we don't think you are ready yet. There is a lot of concurrent production and technology development going on that leads to later problems and suboptimal investments.

There are not good disciplined approaches in place. Congress has passed legislation requiring best practices to be implemented. Many agencies have them embedded in their policies and principles but don't effectively implement them over time.

As you know, I mentioned earlier if we had additional resources, I think we could stop more of these investments earlier. That has been our goal to try to make sure we get involved early.

You can tell where the warning signs are and where things are going to be off track if you have the time to go in and look up front. There are clear ways to do this properly, and there are many examples of where good practices are not being followed.

Senator BOOZMAN. Again, thank you all. That is really all I have, Madam Chair.

But I do want to thank you all. I know that you and your agencies work really hard in a very nonpartisan way to try and get the information that we need. And it is very, very helpful, and we do appreciate your hard work, and I hope that we can communicate back and forth so that we can give you the resources that you need.

Thank you.

Mr. DODARO. Thank you, Senator.

Dr. ELMENDORF. Thank you, Senator.

Senator SHAHEEN. Thank you, Senator Boozman.

And thank you especially for that IT question because I think that is a puzzle that all of us share, why we can't get better at those IT contracts.

I have lots more questions and we could go on a lot longer, but unfortunately, I also have to leave shortly. But I do have a couple of final questions that I would like to pose to both of you.

One is following up on the accountability and transparency and oversight that I think all of us would like to see within Federal programs. One of the areas where I think we have got to do a better job is with the budget process.

As we have seen, as you all have experienced pretty dramatically, over the last several years, we have been operating on continuing resolutions. Too often it has created uncertainty, which has affected the economy. It has made it difficult to operate at the Federal level, and one of the things that I have looked at with Senator Isakson is the idea of changing our budget process from an annual to a biannual budget.

Now I am not going to ask either of you to comment on whether you think that is a good idea or not, but I want to ask you, Mr. Dodaro, is whether you think under the current budget process that we have in place, whether Congress adequately is able to focus on recommendations that GAO offers on a regular basis and whether you think we could do that better if we were able to devote more time to that oversight piece?

Mr. DODARO. We provide all of our information in formal reports. We also provide the appropriation committees services evaluating the agencies' budget requests and have a way to provide them with our recommendations in that process. We are in a pretty regular pattern working with the appropriations committees.

Now, of course, they have been a little disadvantaged because the President's budget submission has been late, and so that gets the whole process off to a late start. So I think we have good communications with the appropriations committees and the authorizing committees when they have reauthorizations to approve, particularly in the defense area, and a lot of our requirements for our work come through the defense authorization bills and the appropriation bills for work that they want done in time for next year's cycle to be considered over a period of time.

The Federal Government's budget used to be on a June to July—or July to June basis, like a lot of the States are. They couldn't get the budget passed on time there. So they decided to move it until September to have more time to be able to get it in place.

There is really no set process. We haven't had a budget resolution every year to guide the appropriation decisions. We have gotten behind.

So I think a lot of things would be better if we were able to stick to regular order with regard to budgets and appropriations. If it works the way it is supposed to work, our work is synced to provide Congress with the right type of information at the right time for them to consider those findings.

Senator SHAHEEN. I certainly think all of us would appreciate going back to regular order. I think the challenge is how to do that. And given that we are in a situation where we have only really passed two budgets according to our annual process since Ronald Reagan was President, I question whether we are actually ever going to get back to a point where we can get the budgets done in a way that provides that certainty for regular order.

Mr. DODARO. I agree with you. But on the other hand, I am saying there is an allure of going to a different approach, which we have done many times. You know, most of the last 30 years have had continuing resolutions. But if the Congress doesn't stick with whatever new process they are going to come up with, there will be other types of problems that will come up, in my opinion.

Now I have been watching this for over 40 years now, and the real issue is sticking with what the Congress has put in place as the process. It is just like a reorganization issue. Some people think if you reorganize, you are going to solve your problem. And sometimes you do, but many times you really don't.

And so, I think it is just a matter of discipline and sticking with the process. I know what the difficulties have been, but I don't think changing the process will be a particular solution to solving that particular problem.

CHANGING BUDGET PROJECTIONS' RULES

Senator SHAHEEN. No. I certainly agree that there is no magic solution, but I do think it would provide more time for oversight in a way that would be very helpful as we look at how to address some of the inefficiencies, some of the recommendations that GAO has made for improving the operations of Government.

Dr. Elmendorf, I wonder, I think it was Mr. Dodaro who said that the rules around how we operate—or maybe it was you—were set some time ago, and given that, are there areas where we should be reviewing and considering changing the rules around how we do budget projections? We are in a much different world now than we were 10, 15, 20 years ago.

Dr. ELMENDORF. So I think this—so you are right. Of course, a lot of specific issues have evolved. It is not evident to me that the scorekeeping rules, the rules governing baseline projections that we follow need to be changed. I wanted to emphasize before that these are not things that we have invented now, that they were following longstanding custom.

I don't want to suggest that that is necessarily perfect, the things that were set in place before. But I don't think that the fundamental issues that you and your colleagues face are really around, at least in general around those procedural issues.

I mean, we have—as you well understand, we have a fundamental disconnect between the benefits that the Government has committed to pay under current law, the cost of those things, given the aging of the population and rising cost for healthcare, a disconnect between that and the revenues that we are used to collecting.

And specific ways we do projections would change some details of that, but the basic problem I think is actually fairly clear. It is difficult, though, to make the policy changes to address it.

So I don't want to sound like we were against changes in procedures, but I don't—when I wake up at night worrying, it is not about the procedures. It is really about the underlying issues that you and your colleagues face.

MEDICARE SAVINGS

Senator SHAHEEN. On the other hand, in Medicare, for example, there are projections now of hundreds of billions of dollars in savings to the cost of Medicare because of healthcare costs leveling out, and yet we are not able to capture those savings as we look at how we score Medicare in the future, as I understand. Maybe I am incorrect about that?

Dr. ELMENDORF. Well, so, Senator, we have brought down our projections of Medicare spending considerably over the past few years. Relative to our projections of 4 years ago, we have lowered Medicare, projected Medicare spending in, say, 2020 by about 15 percent, and we have lowered projected Medicaid spending in 2020 by about 15 percent.

We brought down our projection of the cost of the coverage expansion of the Affordable Care Act for that reason, although there are other factors that matter as well. So we are certainly very attentive to new evidence necessarily.

We did ourselves a very thorough examination of what is happening in Medicare far beyond anything that anybody outside of CBO has done in that area. And based on that evidence is partly why we brought down our projections.

So we are very attentive to that, but the world is a very uncertain place. And there have been past slowdowns in healthcare cost growth that have not—that have lasted for a little while, and then growth rates have picked up again.

So we don't want to be too far behind the news, but we also don't want to take a few years and extrapolate them indefinitely. In the case of healthcare now, the slowdown has been sufficiently long lasting and pervasive across Medicare and Medicaid, in the private sector and within Medicare, across regions of the country, across high- and low-cost patients, across types of procedures and so on that something very important is going on, we think, and we have made significant changes in our projections.

But as I say, we don't want to extrapolate 10 years, 20 years beyond based on the experience of half a dozen years. So we are taking it seriously but trying not to overreact at the same time.

Senator SHAHEEN. Well, thank you. Thank you both very much.

As I said, I am sure we could spend another couple of hours, but I appreciate not only your testimony today, but the work that you and your agencies do to try and ensure that Government operates more effectively for taxpayers.

And I know that, Mr. Dodaro, you have referred to this a couple of times, and I think you did, too, Dr. Elmendorf, that one of the things you are trying to do also is to make the work that you do more transparent for people in this country. And I think that is also very important.

So thank you very much.

ADDITIONAL COMMITTEE QUESTIONS

We will leave the record open until a week from today at noon for any other questions or comments that might be submitted by members of the committee or other Senators for the record.

[The following questions were not asked at the hearing, but were submitted to the Departments for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO GENE L. DODARO

QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. The Government Accountability Office (GAO) is currently in the process of developing a fee-based system to offset the cost of GAO's reviews of "bid protests." Considering the limited resources of small businesses, how does GAO plan to ensure that small businesses maintain a level playing field in bid protests?

Answer. On March 18, GAO provided a status report to the committee, as required by report language associated with the Consolidated Appropriations Act, 2014, and we plan to submit an update in late June. GAO has convened an interdisciplinary team within GAO to examine functional requirements, acquisition strategy, and fee structure, and to conduct outreach to stakeholders. Our outreach to stakeholders is ongoing and, with regard to small businesses, includes congressional committees with jurisdiction regarding small businesses, the Small Business Administration, and organizations representing small businesses. GAO has made progress in each of these areas, and has released a Request for Information to industry in order to complete our analysis of potential options for this system and their costs. Since the proposed filing fee is to offset the cost of a system that has not yet been established, we do not yet have information that will allow us to predict the amount of a fee.

We are conscious of the potential effects of the system on small business and we will carefully consider the amount of the proposed fees in that context. We are also focused on assuring that the filing system will be easy for all parties involved in a bid protest to use. We will continue to consult with the appropriations committees as our team makes decisions about how to implement the docketing system.

Question. How does GAO ensure its work is up to industry standards—that is, who audits the auditors? And how often?

Answer. For GAO, the industry standard is embodied in the Generally Accepted Government Auditing Standards. These standards, along with our audit and reporting policies, are consistent with international auditing standards.

The standards require that, in addition to a rigorous annual internal monitoring program, audit entities undergo an external peer review every 3 years. To assure independence, GAO's peer reviews have been conducted by international teams made up of representatives from national audit offices.

Peer review is a comprehensive examination of GAO's system of quality control. It is conducted to assess whether GAO's quality assurance system is suitably designed and operating effectively. This comprehensive examination consists of:

- interviews with senior leaders to establish their commitment to quality;
- interviews with staff to establish their knowledge of standards and policy; and
- a detailed examination of a sample of engagements and reports.

GAO has received clean opinions in our three successive peer reviews (for 2004, 2007, and 2010 work). We post the reports from these peer reviews on our Web site. In addition to the clean opinions, all of the reports have cited a number of exemplary practices at GAO. For example, the 2010 report cited—among other things—GAO's strong corporate culture that supports quality and contributes to its effectiveness in improving Government operations. In essence, these reviews serve to assure the Congress and the American people that they can have confidence that GAO's work is independent, objective, and reliable.

The current peer review of our 2013 work is underway—led by Norway and supported by Canada, the United Kingdom, Denmark, and the Bahamas. The peer review is scheduled for completion by September 30, 2014.

Question. How does GAO ensure that GAO materials are readily accessible to the public, beyond posting reports on the GAO Web site?

Answer. In addition to finding GAO's reports and other products on our Web site, anyone can sign up for daily emails that list and provide links to GAO's new reports—either all reports or reports on specific subjects. For social media, we use Twitter to share daily report releases, announce our subject matter experts' testi-

monies, and help inform conversations around news and current events. On our Facebook page, we try to provide a glimpse into at least one of the reports published each day, using an image and a few short sentences to convey the message. We also use Facebook to announce events such as our AskGAOLive webchats. For example, we recently had a webchat between the report's author and the public regarding our report on veterans' use of education benefits. In addition, we have a presence on the professional networking website, LinkedIn, where we publish select job announcements, as well as other employment-related content.

The digital media we use include platforms such as YouTube and Flickr to share video and images from our reports. We also produce podcasts—in which we interview GAO officials on significant issues or recent reports—and these can be downloaded or listened to from our Web site.

Because we recognize that our audiences are often on the go, we have also developed apps for Android and Apple devices, which are available on iTunes and Google Play. Bloggers and developers can also share GAO content with their readers by using our sharing widgets.

We hope that having GAO's information available on these social and digital media platforms will make it easier for our audiences to find and use the results of our work.

Question. Does GAO conduct a review of each report to make sure it is understandable for a general audience, rather than just for subject matter experts?

Answer. GAO audits often require in-depth research and sophisticated analyses of complex and technically challenging issues. In reporting on the results, GAO tries to strike the appropriate balance between the needs of the informed lay reader and subject matter experts. To achieve this objective, GAO assigns experts in written and visual communication to each report to enhance clarity of presentation. We also provide regular training in written communication to our analysts. Our inclusion of a Highlights page that summarizes key findings and recommendations also enhances the accessibility of our reports to a variety of audiences.

We use a two-step senior executive level review for each product. The Senior Executive who has directed the engagement, and who will sign the report and serve as the primary contact, assesses the draft report's responsiveness to stated objectives; consistency with reporting standards; completeness and clarity of presentation; soundness of the evidence, logic, and balance leading to findings, conclusions, and recommendations; and adequacy in treating affected party comments. To the extent these Senior Executives have any concerns, they work with GAO staff to revise the draft report and resolve them. These Senior Executives then approve the draft report for final review.

A Senior Executive in GAO's Audit Policy and Quality Assurance Office provides a final check of the draft report and reexamines the First Partner's judgment. Approval is given to issue the report when that Senior Executive is satisfied that the product is consistent with professional standards and GAO's core values.

Question. Are there common hurdles GAO and Inspector Generals (IGs) face in obtaining the information and access you need from Federal agencies and other entities to conduct a thorough analysis and make realistic recommendations? How can we work to reduce those hurdles?

Answer. GAO and the IGs face some common hurdles in access to data from Federal agencies. We also are conscious of making the best use of our resources with regard to supporting Congress and making recommendations to Federal agencies and coordinate to try to assure our work is complementary.

With regard to GAO's access to information, it is essential to our ability to report on issues of importance to the Congress and the American people. Executive departments and agencies are generally very cooperative in providing access. It is somewhat rare for an agency to deny us access to information, and rarer for an agency to refuse to work toward an accommodation that will allow us to carry out our work. We devote a high level of attention to monitoring and aggressively pursuing access issues as they arise. We appreciate the interest of Congress in helping to ensure that we obtain access to information and the efforts by agencies to cooperate with our requests.

However, over time we have experienced access issues at certain departments and agencies. We actively pursue access issues as they arise and we are engaged in discussions across the executive branch to enhance our access. For example, the Department of Justice (DOJ), in consultation with GAO, instituted new protocols that were designed to improve DOJ's timeliness in responding to our requests for information, and to improve communication between DOJ and GAO. The protocols include target timeframes for providing documents and scheduling meetings, among other things.

Another issue related to access to information is in the context of the intelligence community (IC). The Director of National Intelligence, in consultation with the Comptroller General, issued a written directive in 2011 governing our access to information from elements of the intelligence community, known as Intelligence Community Directive (ICD) 114. ICD 114 is designed to address the historic challenges that GAO has faced in gaining access to information in the IC and contains provisions promoting constructive interaction such as establishing a presumption of cooperation between the IC and GAO. It is crucial that these terms and the overall Directive be carefully implemented and monitored to ensure we are able to assist the Congress in its oversight responsibilities, including requests from the Committees on Appropriations, Armed Services, Judiciary, Homeland Security and Government Affairs, as well as the Intelligence Committees.

We have experienced other access issues at certain agencies due to long-standing and erroneous interpretations of our statutory access authority. In some cases agencies have interpreted language in program statutes that limit disclosure of certain information as also restricting GAO's access. Legislation passed in the House this session (H.R. 1162) and that is currently pending in the Senate would confirm our access rights in these instances.

In terms of common hurdles for GAO and the IGs, we do work together to identify and address them. For example, last year we convened a Joint Forum on Data Analytics for Oversight and Law Enforcement which involved the Council of Inspectors General for Integrity and Efficiency (CIGIE) and the Recovery Board. The Forum focused on the importance of access to agency databases and the use of data-matching in reviewing programs and identifying errors and fraud.

We also have an annual coordination meeting between CIGIE and GAO that identifies and addresses issues of common concern, including any access issues. CIGIE is represented, along with GAO, in a number of other cross-cutting activities and organizations, such as the National Intergovernmental Audit Forum—an annual conference of Federal, State, and local auditors focused on emerging issues and opportunities for coordination. Finally, coordination with IGs is a standard practice as GAO begins all of our engagements.

Question. As part of GAO's fiscal year 2015 budget, GAO requests authority to establish a "Center for Audit Excellence."

(a). Comptroller General Dodaro's testimony stated that there is a large demand for GAO's expertise—both domestically and internationally. Who does GAO receive requests from, and how often?

Answer. The global demand for GAO's assistance is evident in the requests we receive for international study visits to GAO, of various length and composition, totaling 383 in fiscal year 2013, as well as multiple requests for GAO staff to help train the staff of our international counterparts either at GAO or in their home countries. Many look to GAO as a model, and request our knowledge and experience as they try to strengthen their respective audit capacities. Some specific, recent examples include:

- A request for assistance in establishing a training center for a National Audit Office in Africa;
- A request from an Asian National Audit Office asking to send its new staff to GAO for two-week entry-level training;
- A request to send an expert on capacity building efforts to another National Audit Office in Asia to help them improve staff capabilities;
- A request for comparative best practices and benchmarking information by a National Audit Office in planning a performance audit; and
- A request for a GAO executive from our Forensic Audit and Investigative Service team to visit a National Audit Office in the Middle East to share knowledge and experience.

There are also other indicators that demand is high for capacity building support of GAO's counterpart national audit offices, commonly referred to as supreme audit institutions (SAIs). In 2010, a survey of 192 SAIs sought to obtain a broad understanding of the nature and extent of needs across its community, and received a 90 percent response rate. Seventy-two percent of the respondents identified capacity development support needs as medium to high. The survey also identified that there is substantial demand by SAIs for high quality support from their peers, and that there is an added value in receiving peer support as compared to other service providers.

A Global Call for Proposals in 2011 focused on the needs of SAIs in developing countries. Fifty-five proposals were submitted, underscoring the magnitude of the capacity development needs in the international audit community as identified in the 2010 survey. Just under half of the 55 proposals had funding approved or were at the implementing stage as of the fall, 2013, with the assistance of the Inter-

national Organization of Supreme Audit Institutions (INTOSAI—which includes most SAIs). A second call for proposals was launched in 2013 and preliminary response indicates a similar number of proposals being submitted.

GAO is also called upon domestically for assistance at the State and local levels of government auditing. For example, we recently received a request for assistance in building performance auditing capacity in a State audit office. Similarly, a local audit office sought report writing assistance and training. Given that GAO promulgates both Generally Accepted Government Auditing Standards (GAGAS) and standards for internal control in the Federal Government, we are often called upon for training specific to the standards as they are applied in Government and also in the private sector for those that receive Government awards.

Question. As part of GAO's fiscal year 2015 budget, GAO requests authority to establish a "Center for Audit Excellence."

(b). Comptroller Dodaro's testimony states that the Center would operate entirely on fees, with no cost to the taxpayer. However, staffing the Center would require a time commitment from existing GAO staff. How would GAO ensure that the new Center would not detract from GAO's service to Congress?

Answer. GAO intends to staff the Center by using the fees charged for training and technical assistance to hire staff expressly for the purpose of providing these services. Under current law we cannot accept or retain such fees. Other than the initial startup and planning for the Center, as a general rule we do not plan to use our existing staff for the purpose of staffing the Center or providing services, and thus do not anticipate that the Center will detract from GAO's service to Congress.

QUESTION SUBMITTED BY SENATOR CHRISTOPHER A. COONS

[*Note.*—The question below was asked during the hearing by Senator Coons to Mr. Dodaro. No response was given by Mr. Dodaro at that time. Below is the response that was later given by the Government Accountability Office to the Senate Subcommittee on the Legislative Branch of the Committee on Appropriations.]

Question. Does the Government Accountability Office (GAO) have an Energy Saving Performance Contract (ESPC), in connection with an energy improvements, and if not, please provide a few sentences on other efforts or investments GAO has undertaken to improve energy efficiency.

Answer. GAO does not currently have an ESPC but considers their use when developing energy efficiency projects. In 2010, GAO used a Utility Energy Service Contract (UESC), similar to an ESPC, to fund a \$3.7 million project to install gas powered boilers.

GAO regularly conducts energy audits to help identify areas for potential energy savings. The last energy audit was conducted in 2012 and the next energy audit will be conducted in 2014. GAO has undertaken several energy efficiency projects in the last few years, including lighting and system upgrades. GAO is currently replacing eight of the building's original air handlers with five new high efficiency units. GAO has reduced the energy consumption of its building by 13 percent compared with the 2003 baseline of the Energy Act. This energy reduction provided GAO a cost avoidance in fiscal year 2013 of an estimated \$1 million.

QUESTIONS SUBMITTED BY SENATOR JOHN HOEVEN

PROGRESS OF BID PROTEST SYSTEM

Question. In the fiscal year 2014 omnibus, Government Accountability Office (GAO) was allowed authority for a new electronic docketing system financed by fees charged to companies filing bid protests. GAO has been meeting with small business holders and other technical representatives to examine commercially available IT systems, cost-benefit analysis and fee structure.

In fiscal year 2015, you anticipate \$450,000 in bid protest fees. What is the current progress of the bid protest system and what is being done to mitigate the financial costs to small businesses?

Answer. On March 18, GAO provided a status report to the committee, as required by report language associated with the Consolidated Appropriations Act, 2014, and we plan to submit an update in late June. GAO has convened an interdisciplinary team within GAO to examine functional requirements, acquisition strategy, and fee structure, and to conduct outreach to stakeholders. Our outreach to stakeholders is ongoing and includes congressional committees with jurisdiction regarding small businesses, the Small Business Administration, and organizations

representing small businesses. GAO has made progress in each of these areas, and has released a Request for Information to industry in order to complete our analysis of potential options for this system and their costs, including whether to implement the system internally, or to contract for a system as a service. Since the proposed filing fee is to offset the cost of a system that has not yet been established, we do not yet have information that will allow us to predict the amount of a fee.

We are conscious of the potential effects of the system on small business and we will carefully consider the amount of the proposed fees in that context. We are also focused on assuring that the filing system will be easy for all parties involved in a bid protest to use. We will continue to consult with the appropriations committees as our team makes decisions about how to implement the docketing system.

WORKFORCE

Question. The fiscal year 2014 omnibus was enacted a quarter into the fiscal year. Many agencies have reported difficulties in hiring up to the original full-time employee (FTE) goal derived at the beginning of the fiscal year. They cite the lengthy cycle time of the Government hiring process.

Your FTE target for fiscal year 2014 is 2,945. Do you anticipate meeting the fiscal year 2014 target?

Answer. Since receiving our appropriation in mid-January 2014, we have been pursuing a multi-pronged approach to hire about 300 permanent staff and 200 interns. Because we were already a quarter into the year, we do not anticipate burning 2,945 FTE this fiscal year. However, we are hiring as quickly as we can to attain 3,030 staff on board by August 2014, and importantly, position ourselves to hit the 2,945 FTE target for fiscal year 2015. GAO's Executive Committee is actively monitoring hiring and other workforce activity to ensure that we achieve our goals.

Question. Should you not meet your goal, how will you use the funds originally planned for salaries?

Answer. GAO would pursue targeted investments which have been deferred for several years, including upgrading aged information technology (IT) equipment, replacing computers and work stations, and addressing inefficient building systems. GAO's current laptops and workstations, which were first deployed in 2008, have reached the end of life. These investments will help preserve our infrastructure, increase operational reliability, and enhance the effectiveness and efficiency of our staff and work processes.

Question. With the increase in FTEs from the fiscal year 2013 level, what capabilities will be enhanced?

Answer. The increase from fiscal year 2013 to fiscal year 2015 will allow GAO to bolster our staff capacity, provide an appropriate mix of staffing levels to support our work, rebuild our entry level Professional Development Program, and address succession planning. We will reinvigorate our student intern program, which serves as an important source of entry-level staff in the following years.

GAO will also build capacity in science and technology, and replace critical skills gaps lost over the last several years due to limited hiring in areas, including:

- Auditors/Accountants in our financial audit work,
- Information Technology specialists/analysts in related audits and operations,
- Economists with expertise in financial and domestic programs, and
- Attorneys that provide legal support to all audits and evaluations and the procurement law area, to handle bid protest.

Question. Will you be able to fulfill more congressional requests?

Answer. Yes. The planned increase in GAO's staff capacity will enhance our ability to meet the demand from Congress, including reducing the delay in starting work on congressional requests; enhancing our ability to provide more timely responses and analyses to support congressional oversight; and increasing the number of requests that we can undertake. It should be noted, however, that the resources needed to fulfill an individual congressional request can vary significantly depending upon the scope of the request, the complexity of the issues, the number and areas of expertise of the staff needed to conduct the engagement, and the extent of GAO's existing body of work related to the topic.

WORKLOAD MANAGEMENT

Question. GAO sets and follows the standards for conducting high quality audits. Conducting these thorough reviews could take up to a year to complete. GAO provides other options that can be conducted in a shorter timeframe, including technical guidance and congressional briefings.

How does GAO manage requests that are time-sensitive? The very nature of GAO's rigorous standards requires time for thorough analysis.

Answer. GAO uses several approaches to manage time-sensitive requests while assuring that our reports meet quality standards as established in the Generally Accepted Government Auditing Standards and related GAO policies.

First, GAO's Congressional Protocols establish a priority for assigning resources. The top priority is requirements established in statute, or Conference or Committee reports. These requirements frequently establish a date by which GAO must communicate the results of our work, and thus, can be time-sensitive. GAO works closely with the committees to agree on an appropriate scope of work that can be accomplished within the required deadline. Depending on the complexity and scope of required work, in some cases GAO meets these due dates through briefings to the relevant House and Senate committees, with a report to follow.

Second, our next priority in the Congressional Protocols is requests from senior congressional leaders and committee and subcommittee leaders. When the request is time-sensitive, GAO managers will discuss with committee leaders the scope of the work and whether it can be appropriately completed within the desired timeframe while also meeting quality standards. If not, we may recommend a different scope of work or another source of information. GAO's Congressional Protocols also contemplate requests from individual members, but we have not had the resources to devote to these requests in recent years.

Third, GAO also works with committee leaders to establish their priorities when they have submitted multiple requests or statutory requirements. We will discuss which reports are most time-sensitive, and sequence our work through agreement with the committee leaders and staff.

For those instances where GAO cannot issue a report which would meet the timing needs of Congress while also upholding quality standards, we often find that GAO's previous reports provide information that is useful and relevant. In those cases, we offer to brief on those reports and make our program experts available to answer questions. We may also be able to provide quick followup on our previous work and provide those results as technical assistance.

QUESTIONS SUBMITTED TO DR. DOUGLAS W. ELMENDORF

QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. Does Congressional Budget Office (CBO) routinely look back at previous cost estimates and compare those to actual outcomes?

Answer. Yes, CBO routinely monitors the budgetary effects of enacted legislation to help improve projections of spending and receipts under current law, as well as to improve cost estimates for new legislative proposals. However, it is often difficult or impossible to determine, even in retrospect, the incremental impact on the budget of a particular piece of legislation. CBO regularly prepares cost estimates for legislation when bills are reported by committees of the House of Representatives or the Senate. In some cases, such legislation is changed before enactment. Although CBO often provides updated cost estimates (especially for direct spending provisions) prior to the enactment of legislation, proposals are sometimes amended after cost estimates are prepared. Moreover, in many cases the actual costs or savings resulting from enacting legislation cannot be identified; they may be a small part of a large budget account or revenue stream, and there may be no way to know for certain what would have happened if the legislation was not enacted. In fact, most of the cost estimates that CBO completes are for legislative proposals that are not enacted, so it is not possible to determine their accuracy.

Nonetheless, CBO attempts to look back at previous estimates to discern as much as possible how such estimates compare with actual outcomes after legislation is enacted. A description of the agency's process and a few specific examples are provided below.

A Regular Review Process. Because it is often not possible to determine how close the impact of a particular piece of legislation is to CBO's initial projections, it is hard to make a general statement about the accuracy of the agency's estimates. Nonetheless, CBO analysts undertake a detailed review of Treasury-reported outlays and receipts after the end of each fiscal year to learn as much as possible about how those actual results compare with both the original cost estimates for individual pieces of legislation (when possible) and the current-law baseline projections (which reflect all legislation previously enacted). In addition, CBO updates its baseline projections a few times each year, and during those exercises, the agency carefully tracks and reports on changes from the previous baseline by separately categorizing and explaining changes derived from legislation, economic revisions, and other (technical) adjustments.

That annual process is useful in helping CBO prepare better projections going forward, even though it is sometimes not possible to discern exactly how much of a given year's estimating error for a given program is directly attributable to a specific piece of legislation. Following are a few examples of cases in which it is possible to match up results with earlier projections for particular pieces of legislation.

Medicare Part D. The prescription drug program known as Medicare Part D is a relatively rare example in which actual spending can be directly compared with the projections contained in the CBO cost estimate. In most cases, legislation modifies existing programs; it is often not possible after enactment of such legislation to determine how spending for a modified program has changed specifically as a result of that legislation, or how much of future spending would have occurred even without the change in law. In contrast, the legislation that created Part D established a new component of Medicare with a system of new benefit payments, associated administrative costs, and payments from premiums and States.

The actual net cost of Medicare Part D has been much lower than CBO originally projected. For example, in its 2003 cost estimate for the legislation creating the program, CBO projected that Part D costs through 2013 would be \$552 billion (the administration's estimate at that time was higher), whereas the agency now estimates those costs totaled \$354 billion through 2013. The roughly 35 percent difference between the initial projection and actual results recorded thus far arises largely because, in preparing the estimate, CBO observed that recent growth rates for drug spending had been higher than the long-term trend and anticipated that growth would remain above the long-term trend for most of the 10-year period following the creation of Part D. However, that growth rate dropped below its prior long-term average even before the new program was implemented in 2006—probably because patents expired for a substantial number of brand-name drugs (so consumption of those drugs shifted to lower-priced generic versions) and relatively few new brand-name drugs were introduced. In addition, enrollment in Part D has been lower than what CBO initially projected.

Over the past several years, as actual data have been reported, CBO has significantly reduced its baseline projections of future spending for the Part D benefit, and its cost estimates for new legislation related to Part D have similarly reflected experience with actual spending under the program.

Recovery Act Spending. The American Recovery and Reinvestment Act of 2009 (ARRA) provided funding for a broad range of new and existing Federal programs and reduced revenues through changes in Federal tax law. Most of ARRA's effects on Federal spending and revenues have now occurred, and they have been roughly in line with the original estimates prepared by CBO and the staff of the Joint Committee on Taxation (JCT) at the time the legislation was considered by the Congress in early 2009.

CBO has closely monitored actual spending under ARRA for the past 5 years to help determine where the agency's estimates of outlays (including their timing) were too high or too low—both in total and for individual years and programs. Estimates for many of the individual years following the enactment of the Recovery Act were generally quite accurate. For example, the actual spending in 2009 of funds provided by ARRA differed by only 1 percent from CBO's estimate for that year.

Through fiscal year 2013, the outlays resulting from ARRA totaled \$596 billion, about \$49 billion (or 9 percent) above CBO's original estimate of \$546 billion for the 2009–2013 period. (Additional spending will occur over the next several years. In addition, JCT estimated that ARRA would reduce Federal revenues by about \$210 billion over 10 years, with most of that impact falling in 2009 and 2010.) Most of the underestimate in spending under ARRA is accounted for by provisions related to unemployment insurance, nutrition assistance, and refundable tax credits; those costs were boosted by the weaker-than-expected economic recovery.

Some estimates were particularly close to the recorded results for the 5 years following the enactment of ARRA. For example, spending for the Department of Health and Human Services totaled \$130 billion through 2013, which is about 1 percent below CBO's original estimate for that period. Estimates of education and transportation spending under ARRA were within 4 percent and 6 percent, respectively, of the actual five-year totals (which were \$94 billion for the Department of Education and \$40 billion for the Department of Transportation).

Spectrum Auction Receipts. Legislation enacted in the past 20 years directed the Federal Communications Commission (FCC) to use competitive bidding (auctions) for licenses to use the electromagnetic spectrum when more than one party seeks such licenses. Spectrum auctions under such legislation have generated more than \$50 billion in net offsetting receipts to the Treasury since 1994.

CBO's estimates of spectrum auction proceeds under legislation enacted over the past two decades have sometimes been too high and sometimes too low. When esti-

matting the budgetary impact of the Balanced Budget Act of 1997, for example, CBO projected that FCC auctions would generate about \$25 billion in proceeds. Actual collections resulting from that legislation were about one-third less than projected. CBO also estimated spectrum receipts of about \$25 billion from the auctions authorized by the Deficit Reduction Act of 2005, but the agency underestimated receipts for that legislation: Collections resulting from the 2005 act have been about 30 percent higher than the estimate.

Spectrum values fluctuate for several reasons, including changes in technology, market conditions, and the financial and strategic interests of individual wireless companies. Projections of receipts also reflect uncertainty about the quantity of spectrum that will be available for auction. CBO's estimates attempt to reflect those uncertainties by representing the middle of the range of most likely outcomes.

Spending for Unemployment Insurance. In 2008, lawmakers enacted the Emergency Unemployment Compensation program (EUC), which has been altered numerous times over the past several years. Under current law, that program expires at the end of December 2013. The EUC program expired at the end of 2013. Adding together its estimates for the 12 laws that enacted and subsequently expanded and extended EUC, CBO estimated that benefits under the program would total \$228 billion through December 2013. According to the Department of Labor, the actual cost of EUC benefits has been \$230 billion through December 2013, a difference of less than 1 percent.

The relatively low net error overall reflects both overestimates and underestimates in CBO's original cost estimates for the many pieces of EUC legislation enacted in recent years. In general, estimates for EUC tended to be lower than the actual outlays in 2009 and 2010 because the effects of the recession turned out to be much worse than CBO anticipated. During that time, the unemployment rate rose sharply and stayed higher than the rate CBO used for estimating the costs of legislation. In addition, people remained unemployed much longer than they had in previous recessions, thus increasing the time that people collected benefits, adding to the total costs of such benefits. In more recent years, the opposite has been true: the unemployment rate has fallen at a slightly faster pace than CBO projected; hence, more recent estimates of benefit payments have tended to be higher than actual costs. In addition, actual benefit payments were reduced by mandatory sequestration, the effects of which were not reflected in the original estimates.

Question. Does CBO adjust or inform its methodologies in response to lessons learned from previous estimates?

Answer. When spending for a Government program turns out to be higher or lower than CBO had expected after a legislative change, it is generally unclear whether the error should be attributed to the previous baseline projection for spending under that program or to the agency's estimate of the effects of the new legislation. Nonetheless, CBO carefully scrutinizes errors in its projections, reviews data on the spending patterns for Federal programs, and consults with outside experts on those programs in order to improve its estimating methodologies.

As noted in the previous answer, CBO conducts a thorough review of actual outlays and revenues each year (as reported by the Department of the Treasury). The direct result of that review is a continual fine-tuning of estimates in the forward-looking baseline projections. That process begins late in the fall of each year, and updated estimates are reflected in the *Budget and Economic Outlook* that is published early in the next calendar year. Moreover, CBO then uses the updated estimating assumptions that underlie such baseline projections when it prepares cost estimates for new legislation considered during the ongoing congressional session.

Similarly, when CBO is presented with new legislation to estimate, it generally begins that process by reviewing available data for historical spending patterns stemming from prior legislation. In addition, when appropriate, it modifies the methodology that was used for previous estimates to reflect any lessons learned from observing how programs created or changed in prior legislation unfolded over time. For example, sometimes funds appropriated for a given program have been spent more slowly or more quickly than CBO had estimated, so when new proposals for additional funding for the program arise, the agency may adjust its estimates of the pace of such spending.

In other cases, CBO may learn that agencies or States participating in a program have been implementing the program somewhat differently than it had expected when preparing a previous estimate. As above, CBO takes such information into account in estimating the cost of new legislation that would affect that program.

Question. Does CBO share its cost methodologies with academic and financial researchers, or other experts, for independent evaluation? What about other budget offices at the local, State, or international level that have similar responsibilities in terms of projections and cost estimates?

Answer. CBO considers the transparency of its analyses to be a basic value of the agency. Although much of the analysis that CBO undertakes is very technical in nature, the agency works hard to explain the basis for its findings so that Members of Congress, their staff, and outside analysts can understand the results and question the methodologies used.

To that end, CBO discloses its methodology and the reliability of its methodology in numerous ways:

- The agency makes its cost estimates for public pieces of legislation and reports presenting other analyses available immediately on the website to all Members of Congress, their staff, and the public.
- The agency's normal cost estimates include descriptions of the basis for the estimates.
- Many of the agency's reports include substantial discussions of the relevant research literature and CBO's modeling approaches—in the text, in special boxes, or in appendixes. Examples include the following:
 - Analyses of the economic impact of the President's budget, released annually.
 - The projections of long-term growth in the costs of healthcare used for the *Long-Term Budget Outlook*, released annually.
 - Estimates of the effects on output and employment of the American Recovery and Reinvestment Act.
 - Reports on the distribution of household income and Federal taxes, released periodically.
 - Updated estimates for the insurance coverage provisions of the Affordable Care Act, released periodically.
 - Estimates of the economic impact of alternative fiscal policies.
 - A report on the budgetary effects of raising the cigarette tax.
 - A report on the effects of raising the minimum wage.
- The regular updates to the agency's baseline budget projections include an accounting and explanation of the sources of revisions to those projections.
- The agency releases data and other technical information with some of the key reports. Examples include extensive spreadsheets released with the thrice-annual budget projections and with the annual report on the long-term budget outlook, as well as with a report on the fair-value cost of Federal credit programs.
- The agency releases regular analyses of the accuracy of its economic forecasts.
- The agency releases background reports to provide details about its analyses for nonexperts, and working papers to provide technical descriptions of its analyses for experts. Some examples include these:
 - A background paper, a working paper, and another working paper describing the agency's analysis of the responsiveness of the labor supply to changes in tax rates.
 - A background report describing the main features of the microsimulation model used for long-term analysis of Social Security.
 - A working paper on the tax elasticity of capital gains.
 - A working paper on the short-term effects on output of changes in Federal fiscal policies.
 - A report on how CBO projects income.
 - Working papers on wages and on benefits and total compensation in the Federal Government and private sector.
 - Working papers on Medicare's demonstration projects on disease management and on value-based payment.
- The agency undertakes and publishes analyses of the sensitivity of its estimates to key parameters. For example, the analyses of the economic effects of fiscal policies include alternative estimates based on ranges of assumptions about the short-term stimulus from lower taxes or higher Government spending, the response of the labor supply to changes in tax rates, and the effects of budget deficits on private saving and international capital flows. The agency's report on employment-based health insurance under the Affordable Care Act showed how alternative assumptions would alter the estimates.
- When the agency revises its view of key aspects of its analyses, it explains the rationale for those revisions. Examples include reports explaining the agency's revised view of the effects of several policy options: the effectiveness of malpractice reform in reducing healthcare costs, the effect of prescription drug use on Medicare's spending for other healthcare services, and the effect of raising the age of eligibility for Medicare to 67 on the budget deficit.
- The agency responds to letters from Members of Congress requesting additional information on methodology. Examples include reviews of how CBO views the budgetary impact of long-term agreements by the Federal Government to pur-

chase electric power and the budgetary impact of opening more Federal lands to oil and gas leasing.

—Members of CBO's staff present information about how the agency does its analyses and the results of those analyses at academic and professional conferences so as to encourage input from outside experts.

—CBO's analysts spend a great deal of time explaining details underlying the cost estimates and reports in phone calls and meetings with interested Members of Congress and their staff.

CBO also seeks input from outside experts, including professors, analysts at think tanks, private-sector experts, and employees at various government agencies when reports and analyses are being prepared. Some of those consultations occur during regular meetings of CBO's Panel of Economic Advisers (which reviews the agency's economic forecast) and Panel of Health Advisers; many more consultations occur on an informal, ongoing basis.

For cost estimates, for example, CBO staff routinely consult with knowledgeable program staff at Federal agencies that would be involved in implementing a legislative proposal. In many cases, that consultation extends to officials in State and local governments. For example, legislation in the areas of healthcare, income security programs, environmental regulation, education assistance, and infrastructure spending is often implemented (at least in part) at the State level, and CBO staff can and do learn a great deal by discussing estimating methodologies, program parameters, and historical data with staff in State agencies (as well as local governments as appropriate).

CBO's analysts frequently contact outside experts in academia and elsewhere to obtain their insight about the potential effects of legislation, to obtain useful data, or to discuss estimating methodologies. For example, when developing models involving insurance risks to the Federal Government that are similar to those faced by the private sector, CBO consults with academic researchers and private-sector experts to understand the concepts involved in estimating insured losses. CBO has prepared several cost estimates for proposals related to the authorization of terrorism risk insurance that relied heavily on information from insurance industry actuaries and models used by private-sector firms for the terrorism component of property and casualty insurance that they offer. CBO also consults outside experts in the agriculture community (including Federal, academic, and private-sector experts) by holding an annual baseline review conference to seek input and feedback on the agency's preliminary projections of supply and demand for various agricultural commodities.

More generally, CBO staff review the work of others' independent analyses and conduct literature reviews to identify relevant research findings that can inform their estimating methodologies.

At the international level, CBO staff have participated in annual meetings of parliamentary budget officials organized by the Organisation for Economic Co-operation and Development, as well as meetings of other international groups. Those forums have provided an avenue for exchange of information, including learning about the analytical methodology and budgeting approaches taken by governments in different countries. CBO also frequently hosts visiting delegations from other countries to discuss the work that it does for the U.S. Congress and to learn about budget-related experiences in other countries.

QUESTIONS SUBMITTED BY SENATOR JOHN HOEVEN

FULL-TIME EMPLOYEES (FTEs)

Question. Last year, Dr. Elmendorf testified that if the Congressional Budget Office's (CBO's) budget request of \$45.7 million was met, the agency would be able to hire 235 full-time equivalents (FTEs). Since the omnibus was enacted mid-year, many agencies may not be able to reach their goal FTE. As a result, there may be money left over from their initial estimates.

What is the current level of FTEs at CBO, and do you expect to reach 235 FTEs by the end of the current fiscal year? If you are not able to reach that goal, how will money designated for salaries be reallocated?

Answer. CBO is currently operating with about 222 FTEs. After the 2014 appropriation was set, we began an aggressive recruitment effort to bolster the staff, and we have made offers to, and received acceptances from, another 10 people. We are continuing to recruit for other positions. Taking into account some anticipated attrition, we expect to end fiscal year 2014 with about 230 employees on board. As a result, some of the funds allocated in the budget request for payroll will not be spent

for that purpose; as reflected in our 2015 budget request, we reallocated such funds to cover the cost of information technology purchases that had been deferred from previous years.

WORK LOAD

Question. One of CBO's priorities for fiscal year 2014 was for deferred information technology (IT) purchases. In fiscal year 2015, CBO indicates that they will need less money for IT. Since scoring legislation involves complex calculations, IT systems may assist analysts.

Last year, you mentioned that under sequestration, it forced deferment of IT purchases. Have those needs been addressed, and if so, how are they assisting CBO with the current workload?

Answer. Yes, CBO's pressing needs for information technology were addressed by the 2014 appropriation. For example, the funding enabled us to acquire greater storage capacity and advanced servers designed for sophisticated statistical analysis and modeling undertaken by an increasingly wide swath of the agency. The funding also enabled us to replace aging computers and other hardware and to enhance remote access capabilities for CBO staff, made necessary by increasingly compressed legislative timeframes. Finally, the funding allowed us to buy software that will improve our analytical capabilities.

SUBCOMMITTEE RECESS

Senator SHAHEEN. So thank you very much.

I declare this hearing adjourned.

Mr. DODARO. Thank you.

Dr. ELMENDORF. Thank you, Madam Chair.

[Whereupon, at 4:11 p.m., Tuesday, March 11, the subcommittee was recessed, to reconvene subject to the call of the Chair.]